1. **Parties**:
   * Buyer: Microsoft Corporation ("Microsoft")
   * Seller: Activision Blizzard, Inc. ("Activision Blizzard")
   * Merger Sub: Anchorage Merger Sub Inc., a wholly-owned subsidiary of Microsoft
2. **Transaction Structure**:
   * All-cash acquisition through a reverse triangular merger
   * Merger Sub to merge with and into Activision Blizzard
   * Activision Blizzard to survive as a wholly-owned subsidiary of Microsoft
3. **Purchase Price**:
   * $95.00 per share in cash
   * Implied equity value: Approximately $68.7 billion
   * Implied enterprise value: Approximately $75 billion (including net cash)
4. **Form of Consideration**: 100% cash
5. **Premium**:
   * 45% to Activision Blizzard's closing price on January 14, 2022
   * 50% to 30-day volume weighted average price
6. **Financing**:
   * Cash on hand
   * No financing contingency
7. **Due Diligence**:
   * Customary due diligence by Microsoft
   * Focus areas: financial, legal, operational, technological, ongoing litigation, workplace culture
8. **Management & Employees**:
   * Bobby Kotick to remain as CEO of Activision Blizzard
   * Activision Blizzard to report to Phil Spencer, CEO of Microsoft Gaming
   * Microsoft to honor existing employee agreements and benefit plans for at least one year post-closing
   * Retention packages for key employees to be determined
9. **Conditions to Closing**:
   * Activision Blizzard shareholder approval
   * Regulatory approvals (including U.S., UK, EU, and China)
   * No material adverse change in Activision Blizzard's business
   * Accuracy of representations and warranties
   * Compliance with pre-closing covenants
10. **Regulatory Approvals**:
    * Parties to cooperate in obtaining necessary approvals
    * Microsoft to lead efforts in securing regulatory clearances
    * Microsoft commits to:
      + Keep Call of Duty on PlayStation for at least 10 years
      + Bring Call of Duty to Nintendo Switch and cloud gaming services
11. **Termination Provisions**:
    * Outside Date: 18 months from signing, subject to extension for regulatory approvals
    * Termination Fee (Activision Blizzard): 1-3% of deal value (to be negotiated)
    * Reverse Termination Fee (Microsoft): $2-3 billion (to be negotiated)
12. **Representations and Warranties**:
    * Customary for a transaction of this nature
    * Activision Blizzard to provide representations on financial statements, IP, employee matters, and ongoing litigation
    * Microsoft to provide representations on regulatory matters and financing
13. **Covenants**:
    * Customary interim operating covenants
    * Non-solicitation with fiduciary out for Activision Blizzard
14. **Exclusivity**:
    * 30-day exclusivity period for Activision Blizzard (subject to negotiation)
15. **Governance**:
    * Activision Blizzard to operate as a business unit within Microsoft Gaming
16. **Integration Planning**:
    * Parties to establish integration planning team
    * Focus on business continuity and synergy achievement
17. **Treatment of Equity Awards**:
    * To be determined (conversion to Microsoft equity or cash-out)
18. **Announcements and Confidentiality**:
    * Coordinate on timing and content of public disclosures
    * Customary confidentiality provisions
19. **Expenses**: Each party to bear its own expenses
20. **Governing Law**: Delaware

This term sheet is non-binding and subject to the negotiation and execution of definitive agreements. It does not constitute a commitment to lend, borrow or consummate a transaction.