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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**  
Pursuant to Section 13 or 15(d) of The  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **September 19, 2013**

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**Microsoft Corporation**  
(Exact name of registrant as specified in its charter)

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**Washington**  
(State or other jurisdiction of incorporation)

**0-14278**  
(Commission File Number)

**91-1144442**  
(IRS Employer Identification No.)

**One Microsoft Way, Redmond, Washington**  
(Address of Principal Executive Offices)

**98052-6399**  
(Zip Code)

**(425) 882-8080**  
(Registrant's telephone number, including area code)

**Not Applicable**  
(Former name or former address, if changed since last report.)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 5.02(e) Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers**

(e) Effective September 19, 2013 the Compensation Committee of the Board of Directors of Microsoft Corporation (the "Company") approved (1) the amended Microsoft Corporation Executive Officer Incentive Plan (the "Incentive Plan"); (2) the form of Executive Officer Incentive Plan Stock Award Agreement under the Microsoft Corporation 2001 Stock Plan (Section 162(m) Performance-Based Awards) (the "162(m) Award Agreement"); and (3) the form of Executive Officer Incentive Plan Stock Award Agreement under the Microsoft Corporation 2001 Stock Plan (Service-Based) (the "Service-Based Award Agreement").

The Company may from time to time make awards to executive officers under the Service-Based Award Agreement ("Special Awards") to achieve a range of objectives. These include:

- Ensuring continuity of key leaders during the transition to a new chief executive officer
- Preserving our competitive position by enhancing retention of key executives with critical skills of strategic importance
- Recognizing sustained exceptional performance providing significant value to the Company over a period of years
- Ensuring that our key executives have sufficient unvested equity to provide alignment with shareholders

Special Awards will generally have the following characteristics and terms: (1) awards will be limited to the situations described above; (2) awards will vest over a period of at least thirty months; (3) awards will not exceed the share limits on individual awards under the Microsoft Corporation 2001 Stock Plan and will range from 25% to 150% of the recipient's annual target compensation; (4) awards will not qualify for the retirement vesting provisions described in the Service-Based Award Agreement; (5) unvested awards will be subject to forfeiture upon termination of employment; and (6) awards will be subject to the Company's executive compensation recovery policy.

The summary is qualified by the text of the Incentive Plan, 162(m) Award Agreement, and Service-Based Award Agreement, copies of which are filed as exhibits to this report and incorporated herein by reference.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
10.17	Microsoft Corporation Executive Officer Incentive Plan
10.20	Form of Executive Officer Incentive Plan Stock Award Agreement under the Microsoft Corporation 2001 Stock Plan (Section 162(m) Performance-Based Awards)
10.21	Form of Executive Officer Incentive Plan Stock Award Agreement under the Microsoft Corporation 2001 Stock Plan (Executive Incentive Program – Service-Based)

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MICROSOFT CORP.  
(Registrant)

By: \_\_\_\_\_ /s/ John A. Seethoff  
John A. Seethoff  
Assistant Secretary

Date: September 23, 2013

## EXHIBIT INDEX

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**MICROSOFT CORPORATION  
EXECUTIVE OFFICER INCENTIVE PLAN**

**ARTICLE 1  
Purpose**

The Microsoft Corporation Executive Officer Incentive Plan is intended to provide incentive compensation to executive officers of the Company and those other senior officers that the Committee has determined should participate in the Plan. Awards under the Plan may be intended to qualify as performance-based compensation under Sections 162(m) and 409A of the Internal Revenue Code.

**ARTICLE 2  
Definitions**

The terms used in this Plan include the feminine as well as the masculine gender and the plural as well as the singular, as the context in which they are used requires. The following terms, unless the context requires otherwise, are defined as follows:

- 2.1 “Award”** means the incentive compensation awarded by the Committee under Section 4.1. Awards may be in the form of cash awards and/or equity-based awards issued under the Stock Plan.
- 2.2 “Business Criteria”** means the following: sales or licensing volume, revenues, customer satisfaction, expenses, organizational health/productivity, earnings (which includes similar measurements such as net profits, operating income and net income, and which may be calculated before or after taxes, interest, depreciation, amortization or taxes), margins, cash flow, shareholder return, return on equity, return on assets or return on investments, working capital, product shipments or releases, technology advances and innovations, brand or product recognition or acceptance (including market share) and/or stock price.
- 2.3 “Code”** means the Internal Revenue Code of 1986, as amended.
- 2.4 “Committee”** means the Compensation Committee of the Company’s Board of Directors.
- 2.5 “Company”** means Microsoft Corporation.
- 2.6 “Deferred Compensation Plan”** means the Microsoft Corporation Deferred Compensation Plan, or a similar or successor plan or other arrangement for the deferral of compensation specified by the Committee.
- 2.7 “Participant”** means an employee described in Article 3 of the Plan.
- 2.8 “Performance Goals”** means the written objective performance goals for Awards under the Plan. To the extent required by Section 162(m), the Performance Goals shall be stated in terms of one or more Business Criteria. Performance Goals may be measured: individually, alternatively or in any combination, including through an index; with respect to the Company, a Company subsidiary, division, business unit, product line, product or any combination of the foregoing; on an absolute basis, or relative to a target, to a designated comparison group, to results in other periods or to other external measures. The Committee may specify any reasonable definition of the measures it uses. Such definitions may provide for reasonable adjustments to the measures and may include or exclude items, including but not limited to: extraordinary or unusual and nonrecurring gains or losses, litigation or claim judgments or settlements, material changes in tax laws, acquisitions or divestitures, the cumulative effect of accounting changes, asset write-downs, restructuring charges, or the results of discontinued operations or products.
- 2.9 “Performance Period”** means the period for which an Award is made as determined by the Committee.
- 2.10 “Plan”** means the Microsoft Corporation Executive Officer Incentive Plan, as it may be amended from time to time.
- 2.11 “Section 162(m)”** means Code Section 162(m) and applicable IRS guidance issued thereunder.

**2.12 “Stock Plan”** means the Company’s 2001 Stock Plan, or a similar or successor plan or other arrangement of the issuance of equity-based awards specified by the Committee.

### **ARTICLE 3 Eligibility and Participation**

Executive officers of the Company are eligible to receive Awards under the Plan. In addition, other senior officers of the Company may be designated by the Committee to receive awards under the Plan. Any person who receives an Award under Section 4.1 shall be a Participant in the Plan and shall continue to be a Participant until any amounts due under any Awards he may receive have been paid.

### **ARTICLE 4 Incentive Awards**

#### **4.1 Grants of Awards.**

- (a) **Establishment of Written Terms** – Not later than 90 days after the beginning of a Performance Period for which the Committee has determined to grant Awards under the Plan (or within the first 25% of the Performance Period for any Performance Period that is less than 12 months) or any other date required or permitted under Section 162(m), the Committee shall determine in writing (a) the Participants receiving Awards for the Performance Period, (b) the Performance Goals for each Participant for the Performance Period, and (c) the amount payable to a Participant upon attainment of the applicable Performance Goals for the Performance Period.
- (b) **Incentive Pools** – Unless otherwise determined by the Committee, the amount payable to a Participant upon attainment of the applicable Performance Goals for a Performance Period will be stated as a percentage of an incentive pool. As described in Section 4.3 below, the amount of a Participant’s Award may be reduced below the amount determined by multiplying the incentive pool percentage by the incentive pool for the Performance Period. The total of the incentive pool percentages assigned to all Participants for a Performance Period shall not exceed 100%, and the amount of the incentive pool shall be determined under an objective formula or basis.
- (c) **Maximum Amount** – The maximum number of shares of Company common stock with respect to which equity-based Awards may be granted to any Participant based on one or more Performance Periods ending in a fiscal year of the Company shall not exceed (i) 20,000,000 shares for stock options or stock appreciation rights, and (ii) 5,000,000 shares for stock awards (increased, in both cases proportionately, in the event of any stock split, stock dividend or similar event with respect to the shares). The maximum Awards settled in cash based on one or more Performance Periods ending in a fiscal year of the Company shall (i) not exceed the stock award share limit above multiplied by the closing price per share of Company common stock on the last trading day coinciding with or preceding the date the cash Award is paid, and (ii) reduce the share limits for the Performance Period(s) for equity awards by the number of whole shares that could be purchased with the cash Award on the date of payment of the cash Award.
- (d) **New Executive Officers** – The Committee may grant an Award to an individual who becomes an executive officer during a Company fiscal year based on performance during the balance of the fiscal year or such other Performance Period as it determines. If the Performance Period for such an Award is less than 12 months, within the first 25% of the Performance Period or any other date required or permitted under Section 162(m), the Committee shall determine in writing (a) Performance Goals for the Performance Period, and (b) the amount payable to the Participant upon attainment of the applicable Performance Goals for the Performance Period. The amount payable to such a Participant upon attainment of the applicable Performance Goals for a Performance Period may be stated as a percentage of an incentive pool.
- (e) **Annual Awards** – Each Company fiscal year for which the Committee intends to grant an Award is a Performance Period for which the Committee will specify (1) the Participants, (2) an incentive pool that is a percentage of the Company’s operating income for the fiscal year, as reported in the Company’s financial

statements ("Operating Income"), and (3) each Participant's incentive pool percentage for the Performance Period. In addition, if an employee becomes an executive officer of the Company after the first quarter of the Company's fiscal year, then the remainder of that fiscal year, including the quarter in which the employee becomes an executive officer, will be a Performance Period for which the Committee will specify: (1) such Participant (or Participants), (2) an incentive pool that is a percentage of the Company's Operating Income for the Performance Period, and (3) each Participant's incentive pool percentage for the Performance Period.

No payments will be made under an Award described in Section 4.1(e) unless the Company's Operating Income for the Performance Period is greater than zero; this positive Operating Income requirement is the Performance Goal for the applicable Performance Period.

**4.2 Performance Goal Satisfaction and Certification.** Within a reasonable time after the close of a Performance Period, the Committee shall determine whether the Performance Goals established for that Performance Period have been met. If the Performance Goals have been met, the Committee shall so certify in writing to the extent required by Section 162(m).

**4.3 Award Amount.** If the Committee has made the written certification under Section 4.2 for a Performance Period, each Participant to whom the certification applies shall be eligible to receive a payment under their Award for that Performance Period. For any Performance Period, however, the Committee (and, with respect to Awards for the chief executive officer, two or more independent members of the Company's Board of Directors who are outside directors within the meaning of Section 162(m)) shall have the absolute discretion to reduce the amount of, or eliminate entirely, the payment under an Award to one or more of the Participants. Payment of all or part of an Award amount in the form of an equity compensation grant shall be made under, and subject to the terms and conditions of, the Stock Plan and the applicable grant documentation.

**4.4 Payment of the Award.**

(a) Payment of an Award for a Performance Period ending with a Company's fiscal year shall be made by the end of the fiscal quarter following the end of the fiscal year. Unless otherwise specified by the Committee, payment of an Award shall be made no later than March 15 of the calendar year following the close of the Performance Period (or if later, by the 15<sup>th</sup> day of the third month following the end of the Company's fiscal year containing the last day of the Performance Period).

(b) As permitted by the Committee, a Participant may, in accordance with section 409A of the Code, voluntarily defer receipt of an Award in the form of cash under the terms of the Deferred Compensation Plan.

(c) The Company shall have the right to deduct from any Award payable in cash any applicable Federal, state and local income and employment taxes and any other amounts that the Company is required to deduct. Deductions from an Award in the form of an equity compensation award shall be governed by the Company's 2001 Stock Plan and the applicable grant documentation.

**4.5 Eligibility for Payments.** Unless otherwise determined by the Committee, a Participant shall be eligible to receive payment under an Award for a Performance Period only if the Participant is employed by the Company or a Company subsidiary on the last day of the Performance Period, and only if the Participant satisfies any other conditions to receipt of the Award specified by the Committee.

**4.6 Discretionary Awards.** The Committee may grant Awards under the Plan that are not intended to qualify as performance-based compensation under Section 162(m) and as such will not need to meet the requirements of this Article 4.

**ARTICLE 5  
Administration**

**5.1 General Administration.** The Plan is to be administered by the Committee. Subject to the terms and conditions of the Plan, the Committee is authorized and empowered in its sole discretion to select Participants and to make Awards in such amounts and upon such terms and conditions as it shall determine.

- 5.2 Administrative Rules.** The Committee shall have full power and authority to adopt, amend and rescind administrative guidelines, rules and regulations pertaining to this Plan and to interpret the Plan and rule on any questions respecting any of its provisions, terms and conditions.
- 5.3 Decisions Binding.** All decisions of the Committee concerning this Plan shall be binding on the Company and its subsidiaries and their respective boards of directors, and on all Participants and other persons claiming rights under the Plan.
- 5.4 Section 162(m) and Shareholder Approval.** Other than Awards issued under Section 4.6, Awards under this Plan are intended to satisfy the applicable requirements for the performance-based compensation exception under Section 162(m). It is intended that the Plan be administered, interpreted and construed so that such Awards ("162(m) Awards") meet such requirements. Payments under 162(m) Awards shall be contingent upon shareholder approval of the material terms of the Plan in accordance with Section 162(m). Unless and until such shareholder approval is obtained, no amounts shall be paid under 162(m) Awards.
- 5.5 Recovery Policy.** Amounts paid under the Plan shall be subject to recovery by the Company under its executive compensation recovery policy as in effect from time to time.

## **ARTICLE 6 Amendments and Termination**

The Plan may be amended or terminated by the Committee at any time. All amendments to this Plan, including an amendment to terminate the Plan, shall be in writing. An amendment shall not be effective without the approval of the shareholders of the Company if such approval is necessary to continue to qualify Awards (other than those issued under Section 4.6) as performance-based compensation under Section 162(m), or otherwise under Internal Revenue Service or SEC regulations, the rules of NASDAQ or any other applicable law or regulations, as reasonably interpreted by the Committee in its sole discretion.

## **ARTICLE 7 Miscellaneous**

- 7.1 Duration of the Plan.** The Plan shall remain in effect until all Performance Periods related to Awards made under the Plan have expired and any payments under such Awards have been made.
- 7.2 Awards Not Assignable.** No Award, or any right thereto, shall be assignable or transferable by a Participant except by will or by the laws of descent and distribution. Any attempted assignment or alienation shall be void and of no force or effect.
- 7.3 Participant Rights.** The right of any Participant to receive any Award payments under the provisions of the Plan shall be an unsecured claim against the general assets of the Company. The Plan shall not create, nor be construed in any manner as having created, any right by a Participant to any Award for a Performance Period because of a Participant's participation in the Plan for any prior Performance Period.
- 7.4 Employment at Will.** Neither this Plan nor any action or communication under this Plan: (1) gives any employee any right with respect to employment or continuation of current employment with the Company or its subsidiaries or to employment that is not terminable at will, or (2) sets any employee's employment with the Company or its subsidiaries for any minimum or fixed period. Employment by the Company or a Company subsidiary may be terminated by either the employee or the employer at any time, for any reason or no reason, with or without cause, and with or without notice or any kind of pre- or post-termination warning, discipline or procedure. This Section 7.4 applies to employment in the United States.
- 7.5 Successors.** Any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the Company's business or assets, shall assume the Company's liabilities under this Plan and perform any duties and responsibilities in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

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- 7.6 References.** All statutory and regulatory references in this Plan include successor provisions.
- 7.7 Severability.** If any provision of the Plan is held invalid or illegal for any reason, any illegality or invalidity shall not affect the remaining parts of the Plan, but the Plan shall be construed and enforced as if the illegal or invalid provision had never been inserted.
- 7.8 Applicable Law and Venue.** The Plan shall be governed by the laws of the State of Washington. If the Company or any Participant (or beneficiary) initiates litigation related to this Plan, the venue for such action will be in King County, Washington.

## EXECUTIVE OFFICER INCENTIVE PLAN

## (Section 162(m) Performance-Based Awards)

STOCK AWARD AGREEMENT UNDER  
THE MICROSOFT CORPORATION 2001 STOCK PLAN

Award Number &lt;&lt;GrantIdentifier&gt;&gt;

This Award Agreement sets forth the terms and conditions of an award (the "Award") of performance-based Stock Awards ("SAs") awarded to <<FullName>> ("Awardee") by Microsoft Corporation (the "Company") in the exercise of its sole discretion under the Microsoft Corporation 2001 Stock Plan (the "Plan") and pursuant to the Microsoft Corporation Executive Officer Incentive Plan (the "EOIP") on <<GrantDate>> (the "Award Date"). Capitalized terms used but not defined in this Award Agreement shall have the meanings assigned to them in the Plan.

**1. Award.**

(a) The number of SAs initially subject to the Award (the "GrantedSAs") is <<Granted SAs>>. The performance period of the Award (the "Performance Period") is the Company's <<Year>> fiscal year. At the end of the Performance Period, the Committee (as that term is defined in Section 2(f) of the Plan) will determine the number of SAs earned under the Award as set forth in Section 2 and advise Awardee of the number (these earned SAs are the "Earned SAs").

(b) The Earned SAs represent the Company's unfunded and unsecured promise to issue Common Shares at a future date, subject to the terms of this Award Agreement and the Plan. Awardee has no rights under the Earned SAs other than the rights of a general unsecured creditor of the Company.

**2. Performance Goal; Earned SAs.**

(a) Not later than 90 days after the beginning of the Performance Period, the Committee shall determine the performance goal (the "Performance Goal") for the Performance Period under the EOIP, which shall apply to this Award and shall be set forth in Schedule A.

(b) Within a reasonable time after the close of the Performance Period, and in no event later than 90 days following the close of the Performance Period, the Committee shall determine whether the Performance Goal has been met and, if applicable, certify in accordance with the requirements of Code Section 162(m) to its satisfaction. The date the Committee makes this determination is the "Determination Date". If the Performance Goal has not been met, the number of Earned SAs will be zero. If the Performance Goal has been met, the number of Earned SAs will be determined by the Committee in accordance with Schedule A.

### 3. Vesting of SAs.

(a) Subject to the terms of this Award Agreement and the Plan and provided that Awardee remains continuously employed through the vesting dates set out below, the Earned SAs shall vest as follows:

<u>Vesting Date</u>	<u>Percentage of Earned SAs</u>
<i>[Insert last business day in August following the Award Approval Effective Date – for FY14, this is 8/29/14 (“Initial Vest Date”)]</i>	25%
<i>[1st anniversary of Initial Vest Date]</i>	25%
<i>[2nd anniversary of Initial Vest Date]</i>	25%
<i>[3rd anniversary of Initial Vest Date]</i>	25%

Vesting will not occur before the first NASDAQ Stock Market regular trading day that is on or after the applicable vesting date.

(b) Awardee agrees that the SAs subject to this Award Agreement, and other incentive or performance-based compensation Awardee receives or has received from the Company, shall be subject to the Company's executive compensation recovery policy, as amended from time to time.

(c) AWARDEE'S RIGHTS IN THE SAs SHALL BE AFFECTED, WITH REGARD TO BOTH VESTING SCHEDULE AND TERMINATION, BY LEAVES OF ABSENCE, CHANGES IN THE NUMBER OF HOURS WORKED, PARTIAL DISABILITY, AND OTHER CHANGES IN AWARDEE'S EMPLOYMENT STATUS AS PROVIDED IN THE COMPANY'S CURRENT POLICIES FOR THESE MATTERS. ACCOMPANYING THIS AWARD AGREEMENT IS A CURRENT COPY OF THESE POLICIES. THESE POLICIES MAY CHANGE FROM TIME TO TIME WITHOUT NOTICE IN THE COMPANY'S SOLE DISCRETION, AND AWARDEE'S RIGHTS WILL BE GOVERNED BY THE POLICIES IN EFFECT AT THE TIME OF ANY EMPLOYMENT STATUS CHANGE. E-MAIL "BENEFITS" FOR A COPY OF THE MOST CURRENT POLICIES.

4. Termination. Unless terminated earlier under Section 5, 6 or 7 below, an Awardee's rights under this Award Agreement with respect to the SAs under this Award Agreement shall terminate at the time the SAs are converted into Common Shares and distributed to Awardee.

5. Termination of Awardee's Status as a Participant. Except as otherwise specified in Section 6, 7 and 8 below, in the event of termination of Awardee's Continuous Status as a Participant (as that term is defined in Section 2(j) of the Plan), Awardee's rights under this Award Agreement in any unvested SAs shall terminate. For the avoidance of doubt, an Awardee's Continuous Status as a Participant terminates at the time Awardee's actual employer ceases to be the Company or a "Subsidiary" of the Company, as that term is defined in Section 2(y) of the Plan, and except as otherwise specified in Section 6, 7 and 8 below, no person shall have any rights as an Awardee under this Award Agreement unless he or she is in Continuous Status as a Participant on the Award Date.

6. Disability of Awardee. Notwithstanding the provisions of Section 5 above, in the event of termination of Awardee's Continuous Status as a Participant as a result of total and permanent disability (as that term is defined in Section 12(c) of the Plan and the policies referenced in Section 3(c) above), outstanding unvested Earned SAs shall become immediately vested.

7. Death of Awardee. Notwithstanding the provisions of Section 5 above, if Awardee is, at the time of death, in Continuous Status as a Participant, outstanding unvested Earned SAs shall become immediately vested.

8. Retirement of Awardee. Notwithstanding the provisions of Section 5 above, in the event of Awardee's Retirement, Awardee shall be treated as continuously employed through the vesting dates in Section 3(a) above. For this purpose, "Retirement" means termination of employment with the Company or a Subsidiary after the earlier of (a) age 65, or (b) attaining age 55 and 15 years of Continuous Service, provided that immediately prior to termination of employment Awardee is employed by Microsoft (or a Subsidiary) in the United States.

This Section 8 will only apply to a Retirement if (a) the Retirement occurs more than one year after the Award Date, (b) Awardee executes a release in conjunction with the Retirement in the form provided by the Company, and (c) Awardee's employment does not terminate due to misconduct (as determined in the sole discretion of the Company's senior corporate officer in charge of the Human Resources department), including but not limited to misconduct in violation of Company policy and misconduct that adversely affects the Company's interests or reputation.

For purposes of this Section 8, "Continuous Service" means that Awardee has continuously remained an employee of the Company or a Subsidiary, measured from Awardee's "most recent hire date" as reflected in the Company records. For an Awardee who became an employee of the Company following the acquisition of his or her employer by the Company or a Subsidiary, service with the acquired employer shall count toward Continuous Service, and Continuous Service shall be measured from Awardee's acquired company hire date as reflected in the Company's records.

9. Value of Unvested SAs. In consideration of the award of these SAs, Awardee agrees that upon and following termination of Awardee's Continuous Status as a Participant for any reason (whether or not in breach of applicable laws), and regardless of whether Awardee is terminated with or without cause, notice, or pre-termination procedure or whether Awardee asserts or prevails on a claim that Awardee's employment was terminable only for cause or only with notice or pre-termination procedure, any unvested SAs under this Award Agreement shall be deemed to have a value of zero dollars (\$0.00).

10. Conversion of SAs to Common Shares; Responsibility for Taxes.

(a) Provided Awardee has satisfied the requirements of Section 10(b) below, on the vesting of any Earned SAs, the vested Earned SAs shall be converted into an equivalent number of Common Shares that will be distributed to Awardee within 90 days after the date of the vesting event (but in no event prior to the Determination Date), or in the event of Awardee's death, to Awardee's legal representative within 90 days after date of death (but in no event prior to the Determination Date). Notwithstanding the foregoing, if accelerated vesting of an SA occurs pursuant to a provision of the Plan not addressed in this Award Agreement, distribution of the related Common Share shall not occur until the date distribution would have occurred under this Award Agreement absent this accelerated vesting. The

distribution to Awardee, or in the case of Awardee's death, to Awardee's legal representative, of Common Shares in respect of the vested Earned SAs shall be evidenced by means that the Company determines to be appropriate. In the event ownership or issuance of Common Shares is not feasible due to applicable exchange controls, securities regulations, tax laws or other provisions of applicable law, as determined by the Company in its sole discretion, Awardee, or in the event of Awardee's death, Awardee's legal representative, shall receive cash proceeds in an amount equal to the value of the Common Shares otherwise distributable to Awardee, as determined by the Company in its sole discretion, net of amounts withheld in satisfaction of the requirements of Section 10(b) below.

(b) Regardless of any action the Company or Awardee's actual employer takes with respect to any or all income tax (including federal, state and local taxes), social insurance, payroll tax, payment on account, or other tax-related withholding items ("Tax-Related Items") that arise in connection with the SAs, Awardee acknowledges and agrees that the ultimate liability for any Tax-Related Items determined by the Company in its discretion to be legally due by Awardee, is and remains Awardee's responsibility. Awardee acknowledges and agrees that the Company and/or Awardee's actual employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the SAs, including the grant of the SAs, the vesting of Earned SAs, the conversion of Earned SAs into Common Shares or the receipt of an equivalent cash payment, the subsequent sale of any Common Shares acquired and the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the SAs to reduce or eliminate Awardee's liability for any Tax-Related Items.

Prior to the relevant taxable or tax-withholding event, as applicable, Awardee shall pay, or make adequate arrangements satisfactory to the Company or to Awardee's actual employer (in their sole discretion) to satisfy all obligations for Tax-Related Items. In this regard, Awardee authorizes the Company or Awardee's actual employer to withhold all applicable Tax-Related Items from Awardee's wages or other cash compensation payable to Awardee by the Company or Awardee's actual employer. Alternatively, or in addition, the Company or Awardee's actual employer may, in their sole discretion, and without notice to or authorization by Awardee, (i) sell or arrange for the sale of Common Shares to be issued upon the vesting of Earned SAs or other event to satisfy the withholding obligation, and/or (ii) withhold in Common Shares, provided that the Company and Awardee's actual employer shall withhold only the amount of shares necessary to satisfy the minimum withholding amount or such other amount determined by the Company as not resulting in negative accounting consequences for the Company. Awardee will be deemed to have been issued the full number of Common Shares subject to the Earned SAs, notwithstanding that a number of whole vested Common Shares are held back solely for the purpose of paying the Tax-Related Items. Awardee shall pay to the Company or to Awardee's actual employer any amount of Tax-Related Items that the Company or Awardee's actual employer may be required to withhold as a result of Awardee's receipt of SAs, the vesting of Earned SAs, or the conversion of vested Earned SAs to Common Shares that cannot be satisfied by the means described in this paragraph. Except where applicable legal or regulatory provisions prohibit and notwithstanding anything in the Plan to the contrary, the standard process for the payment of an Awardee's Tax-Related Items shall be for the Company or Awardee's actual employer to withhold in Common Shares only to the amount of shares necessary to satisfy the minimum withholding amount or such other amount determined by the Company as not resulting in negative accounting consequences for the Company. The Company may refuse to deliver Common Shares to Awardee if Awardee fails to comply with Awardee's obligation in connection with the Tax-Related Items as described in this section 10.

(c) In lieu of issuing fractional Common Shares, on the vesting of a fraction of an Earned SA, the Company shall round the shares down to the nearest whole share and any such share that represents a fraction of a SA will be included in a subsequent vest date.

(d) Until the distribution to Awardee of the Common Shares in respect of the vested Earned SAs is evidenced by deposit in Awardee's brokerage account, Awardee shall have no right to vote or receive dividends or any other rights as a shareholder with respect to such Common Shares, notwithstanding the vesting of Earned SAs. No adjustment will be made for a dividend or other right for which the record date is prior to the date Awardee is recorded as the owner of the Common Shares, except as provided in Section 14 of the Plan. (e) By accepting the Award of SAs evidenced by this Award Agreement, Awardee agrees not to sell any of the Common Shares received on account of vested Earned SAs at a time when applicable laws or Company policies prohibit a sale. This restriction shall apply so long as Awardee is an Employee, Consultant or outside director of the Company or a Subsidiary of the Company.

11. Non-Transferability of SAs. Awardee's right in the SAs awarded under this Award Agreement and any interest therein may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner, other than by will or by the laws of descent or distribution. SAs shall not be subject to execution, attachment or other process.

12. Acknowledgment of Nature of Plan and SAs. In accepting the Award, Awardee acknowledges that: (a) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, as provided in the Plan;

(b) the Award of SAs is voluntary and occasional and does not create any contractual or other right to receive future awards of SAs or other awards, or benefits in lieu of SAs even if SAs have been awarded repeatedly in the past;

(c) all decisions with respect to SAs or other future awards, if any, will be at the sole discretion of the Company;

(d) Awardee's participation in the Plan is voluntary;

(e) the future value of the underlying Common Shares is unknown and cannot be predicted with certainty;

(f) if Awardee receives Common Shares, the value of the Common Shares acquired on vesting of Earned SAs may increase or decrease in value;

(g) notwithstanding any terms or conditions of the Plan to the contrary and consistent with Section 5 above, in the event of termination of Awardee's Continuous Status as a Participant under circumstances where Section 8 above does not apply (whether or not in breach of applicable laws), Awardee's right to receive SAs and vest under the Plan, if any, will terminate effective as of the date that Awardee is no longer actively employed and will not be extended by any notice period mandated under applicable law. Awardee's right to receive Common Shares pursuant to any Earned SAs after termination of Continuous Status as a Participant, if any, will be calculated as of the date of termination of Awardee's active employment and will not be extended by any notice period mandated under applicable law. The senior corporate officer in charge of the Human Resources department shall have the exclusive discretion to determine when Awardee is no longer actively employed for purposes of the award of SAs; and

(h) Awardee acknowledges and agrees that, regardless of whether Awardee is terminated with or without cause, notice or pre-termination procedure or whether Awardee asserts or prevails on a claim that Awardee's employment was terminable only for cause or only with notice or pre-termination procedure, Awardee has no right to, and will not bring any legal claim or action for, (a) any damages for any portion of any Earned SAs that have been vested and converted into Common Shares, or (b) termination of any unvested SAs under this Award Agreement.

13. No Employment Right. Awardee acknowledges that neither the fact of this Award of SAs nor any provision of this Award Agreement or the Plan or the policies adopted pursuant to the Plan shall confer upon Awardee any right with respect to employment or continuation of current employment with the Company or with Awardee's actual employer, or to employment that is not terminable at will. Awardee further acknowledges and agrees that neither the Plan nor this Award of SAs makes Awardee's employment with the Company or Awardee's actual employer for any minimum or fixed period, and that this employment is subject to the mutual consent of Awardee and the Company or Awardee's actual employer, and may be terminated by either Awardee or the Company or Awardee's actual employer at any time, for any reason or no reason, with or without cause or notice or any kind of pre- or post-termination warning, discipline or procedure.

14. Administration. Except as otherwise expressly provided in the Plan, the authority to manage and control the operation and administration of this Award Agreement shall be vested in the Committee, and the Committee shall have all powers and discretion with respect to this Award Agreement as it has with respect to the Plan. Any interpretation of the Award Agreement by the Committee and any decision made by the Committee with respect to the Award Agreement shall be final and binding on all parties. References to the Committee in this Award Agreement shall be read to include a reference to any delegate of the Committee acting within the scope of his or her delegation.

15. Plan Governs. Except as provided in Schedule A, this Award Agreement shall be subject to the terms of the Plan and the EOIP, and this Award Agreement is subject to all interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan and the EOIP.

16. Notices. Any written notices provided for in this Award Agreement that are sent by mail shall be deemed received three business days after mailing, but not later than the date of actual receipt. Notices shall be directed, if to Awardee, at Awardee's address indicated by the Company's records and, if to the Company, at the Company's principal executive office.

17. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to SAs awarded under the Plan or future SAs that may be awarded under the Plan by electronic means or request Awardee's consent to participate in the Plan by electronic means. Awardee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

18. Acknowledgment. By Awardee's acceptance of this Award Agreement in the manner described in "Awardee's Acceptance" at the end of this Award Agreement, Awardee acknowledges that Awardee has received and has read, understood and accepted all the terms, conditions and restrictions of this Award Agreement, the Plan, and the current policies referenced in Section 3(c) above. Awardee understands

and agrees that this Award Agreement is subject to all the terms, conditions, and restrictions stated in this Award Agreement and in the other documents referenced in the preceding sentence, as the latter may be amended from time to time in the Company's sole discretion.

19. Board Approval. These SAs have been awarded pursuant to the Plan and accordingly this Award of SAs is subject to approval by an authorized committee of the Board of Directors. If this Award of SAs has not already been approved, the Company agrees to submit this Award for approval as soon as practical. If this approval is not obtained, this award is null and void.

20. Governing Law and Venue. This Award Agreement shall be governed by the laws of the State of Washington, U.S.A., without regard to Washington laws that might cause other law to govern under applicable principles of conflicts of law. The venue for any litigation related to this Award Agreement will be in King County, Washington.

21. Severability. If one or more of the provisions of this Award Agreement shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions that could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Award Agreement to be construed so as to foster the intent of this Award Agreement and the Plan.

22. Complete Award Agreement and Amendment. This Award Agreement (including the policies referenced in Section 3(c)) and the Plan constitute the entire agreement between Awardee and the Company regarding SAs. Any prior agreements, commitments or negotiations concerning these SAs are superseded. This Award Agreement may be amended only by written agreement of Awardee and the Company, without consent of any other person, provided that no consent is necessary to an amendment that in the reasonable judgment of the Committee confers a benefit on Awardee. Awardee agrees not to rely on any oral information regarding this Award of SAs or any written materials not identified in this Section 22.

23. Code Section 409A. This Award Agreement shall be interpreted, operated, and administered in a manner so as not to subject Awardee to the assessment of additional taxes or interest under Code section 409A, and this Award Agreement shall be amended as the Company, in its sole discretion, determines is necessary and appropriate to avoid the application of any such taxes or interest.

24. Code Section 162(m). The Award is intended to satisfy the applicable requirements for the performance-based compensation exception under Code section 162(m) and applicable IRS guidance issued thereunder, and it is intended that the Award be interpreted, operated and administered to meet such requirements.

MICROSOFT CORPORATION

Lisa Brummel,

<<LisaBrummelSig02.jpg>>

Executive Vice President, Human Resources

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**AWARDEE'S ACCEPTANCE:**

I have read and fully understood this Award Agreement and, as referenced in Section 18 above, I accept and agree to be bound by all of the terms, conditions and restrictions contained in this Award Agreement and the other documents referenced in it. I intend to express my acceptance of the Award and this Award Agreement by typing my name in Awardee acceptance window provided in "step 2" of the award acceptance checklist, and I further intend the typing of my name to have the same force and effect in all respects as a handwritten signature.

## Schedule A

### Determination of Earned SAs

1. The Performance Goal for the Award established pursuant to the EOIP is that the Company have positive operating income for the Performance Period, as reported in the Company's financial statements ("Operating Income").
2. The number of Earned SAs will be the lesser of (a) the Granted SAs and (b) the number obtained by dividing (i) the amount of Awardee's "Individual Award Limit" established under the EOIP for the Performance Period by (ii) the closing price of the Company's Common Shares on the NASDAQ Stock Market on the Determination Date, then rounding down to the nearest whole share.

The "Individual Award Limit" is the lesser of (a) Awardee's percentage of the Aggregate Award Limit established under the EOIP for the Performance Period, and (b) the maximum amount specified in Section 4.1(c) of the EOIP.

Notwithstanding the terms of the EOIP and the Plan, the Committee shall not have discretion to reduce the number of Earned SAs for a Performance Period.

**STOCK AWARD AGREEMENT UNDER  
THE MICROSOFT CORPORATION 2001 STOCK PLAN**

**(Service-Based)**

Award Number <<GrantIdentifier>>

1. Award. Microsoft Corporation (the "Company"), in the exercise of its sole discretion pursuant to the Microsoft Corporation 2001 Stock Plan (the "Plan"), does on <<GrantDate>> (the "Award Date") hereby award to <<FullName>> (the "Awardee") <<SharesGrantedQuantity>> Stock Awards ("SAs") upon the terms and subject to the conditions of this Award Agreement. Capitalized terms used but not defined in this Award Agreement shall have the meanings assigned to them in the Plan. SAs represent the Company's unfunded and unsecured promise to issue Common Shares at a future date, subject to the terms of this Award Agreement and the Plan. Awardee has no rights under the SAs other than the rights of a general unsecured creditor of the Company.

2. Vesting Schedule and Conversion of SAs.

(a) Subject to the terms of this Award Agreement and the Plan and provided that Awardee remains continuously employed through the vesting dates set out below, the SAs shall vest and be converted into an equivalent number of Common Shares as set out below, provided that fractional SAs shall vest and be converted into Common Shares as set out in Section 9(c) below:

**Vesting Date**

**Percentage of SAs**

Vesting will not occur before the first NASDAQ Stock Market regular trading day that is on or after the applicable vesting date.

(b) Awardee agrees that the SAs subject to this Award Agreement, and other incentive or performance-based compensation Awardee receives or has received from the Company, shall be subject to the Company's executive compensation recovery policy, as amended from time to time.

(c) AWARDEE'S RIGHTS IN THE SAs SHALL BE AFFECTED, WITH REGARD TO BOTH VESTING SCHEDULE AND TERMINATION, BY LEAVES OF ABSENCE, CHANGES IN THE NUMBER OF HOURS WORKED, PARTIAL DISABILITY, AND OTHER CHANGES IN AWARDEE'S EMPLOYMENT STATUS AS PROVIDED IN THE COMPANY'S CURRENT POLICIES FOR THESE MATTERS. ACCOMPANYING THIS AWARD AGREEMENT IS A CURRENT COPY OF THESE POLICIES. THESE POLICIES MAY CHANGE FROM TIME TO TIME WITHOUT NOTICE IN THE COMPANY'S SOLE DISCRETION, AND AWARDEE'S RIGHTS WILL BE GOVERNED BY THE POLICIES IN EFFECT AT THE TIME OF ANY EMPLOYMENT STATUS CHANGE. E-MAIL "BENEFITS" FOR A COPY OF THE MOST CURRENT POLICIES.

3. Termination. Unless terminated earlier under Section 4, 5 or 6 below, an Awardee's rights under this Award Agreement with respect to the SAs under this Award Agreement shall terminate at the time the SAs are converted into Common Shares and distributed to Awardee.

4. Termination of Awardee's Status as a Participant. Except as otherwise specified in Section 5, 6 and 7 below, in the event of termination of Awardee's Continuous Status as a Participant (as that term is defined in Section 2(j))

of the Plan), Awardee's rights under this Award Agreement in any unvested SAs shall terminate. For the avoidance of doubt, an Awardee's Continuous Status as a Participant terminates at the time Awardee's actual employer ceases to be the Company or a "Subsidiary" of the Company, as that term is defined in Section 2(y) of the Plan, and except as otherwise specified in Section 5, 6 and 7 below, no person shall have any rights as an Awardee under this Award Agreement unless he or she is in Continuous Status as a Participant on the Award Date.

5. Disability of Awardee. Notwithstanding the provisions of Section 4 above, in the event of termination of Awardee's Continuous Status as a Participant as a result of total and permanent disability (as that term is defined in Section 12(c) of the Plan and the policies referenced in Section 2(c) above), outstanding unvested shares under this SA shall become immediately vested.

6. Death of Awardee. Notwithstanding the provisions of Section 4 above, if Awardee is, at the time of death, in Continuous Status as a Participant, outstanding unvested SAs under the Award shall become immediately vested.

7. Retirement of Awardee. Notwithstanding the provisions of Section 4 above, in the event of Awardee's Retirement, Awardee shall be treated as continuously employed through the vesting dates in Section 2(a) above. For this purpose, "Retirement" means termination of employment with the Company or a Subsidiary after the earlier of (a) age 65, or (b) attaining age 55 and 15 years of Continuous Service, provided that immediately prior to termination of employment Awardee is employed by Microsoft (or a Subsidiary) in the United States.

This Section 7 will only apply to a Retirement if (a) the Retirement occurs more than one year after the Award Date, (b) Awardee executes a release in conjunction with the Retirement in the form provided by the Company, and (c) Awardee's employment does not terminate due to misconduct (as determined in the sole discretion of the Company's senior corporate officer in charge of the Human Resources department), including but not limited to misconduct in violation of Company policy and misconduct that adversely affects the Company's interests or reputation.

For purposes of this Section 7, "Continuous Service" means that Awardee has continuously remained an employee of the Company or a Subsidiary, measured from Awardee's "most recent hire date" as reflected in the Company records. For an Awardee who became an employee of the Company following the acquisition of his or her employer by the Company or a Subsidiary, service with the acquired employer shall count toward Continuous Service, and Continuous Service shall be measured from Awardee's acquired company hire date as reflected in the Company's records.

8. Value of Unvested SAs. In consideration of the award of these SAs, Awardee agrees that upon and following termination of Awardee's Continuous Status as a Participant for any reason (whether or not in breach of applicable laws), and regardless of whether Awardee is terminated with or without cause, notice, or pre-termination procedure or whether Awardee asserts or prevails on a claim that Awardee's employment was terminable only for cause or only with notice or pre-termination procedure, any unvested SAs under this Award Agreement shall be deemed to have a value of zero dollars (\$0.00).

9. Conversion of SAs to Common Shares; Responsibility for Taxes. (a) Provided Awardee has satisfied the requirements of Section 9(b) below, on the vesting of any SAs, the vested SAs shall be converted into an equivalent number of Common Shares that will be distributed to Awardee within 90 days after the date of the vesting event, or in the event of Awardee's death, to Awardee's legal representative within 90 days after date of death. Notwithstanding the foregoing, if accelerated vesting of an SA occurs pursuant to a provision of the Plan not addressed in this Award Agreement, distribution of the related Common Share shall not occur until the date distribution would have occurred under this Award Agreement

absent this accelerated vesting. The distribution to Awardee, or in the case of Awardee's death, to Awardee's legal representative, of Common Shares in respect of the vested SAs shall be evidenced by means that the Company determines to be appropriate. In the event ownership or issuance of Common Shares is not feasible due to applicable exchange controls, securities regulations, tax laws or other provisions of applicable law, as determined by the Company in its sole discretion, Awardee, or in the event of Awardee's death, Awardee's legal representative, shall receive cash proceeds in an amount equal to the value of the Common Shares otherwise distributable to Awardee, as determined by the Company in its sole discretion, net of amounts withheld in satisfaction of the requirements of Section 9(b) below.

(b) Regardless of any action the Company or Awardee's actual employer takes with respect to any or all income tax (including federal, state and local taxes), social insurance, payroll tax, payment on account, or other tax-related withholding items ("Tax-Related Items") that arise in connection with the SAs, Awardee acknowledges and agrees that the ultimate liability for any Tax-Related Items determined by the Company in its discretion to be legally due by Awardee, is and remains Awardee's responsibility. Awardee acknowledges and agrees that the Company and/or Awardee's actual employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the SAs, including the grant of the SAs, the vesting of SAs, the conversion of the SAs into Common Shares or the receipt of an equivalent cash payment, the subsequent sale of any Common Shares acquired and the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the SAs to reduce or eliminate Awardee's liability for any Tax-Related Items.

Prior to the relevant taxable or tax-withholding event, as applicable, Awardee shall pay, or make adequate arrangements satisfactory to the Company or to Awardee's actual employer (in their sole discretion) to satisfy all obligations for Tax-Related Items. In this regard, Awardee authorizes the Company or Awardee's actual employer to withhold all applicable Tax-Related Items from Awardee's wages or other cash compensation payable to Awardee by the Company or Awardee's actual employer. Alternatively, or in addition, the Company or Awardee's actual employer may, in their sole discretion, and without notice to or authorization by Awardee, (i) sell or arrange for the sale of Common Shares to be issued upon the vesting of SAs or other event to satisfy the withholding obligation, and/or (ii) withhold in Common Shares, provided that the Company and Awardee's actual employer shall withhold only the amount of shares necessary to satisfy the minimum withholding amount or such other amount determined by the Company as not resulting in negative accounting consequences for the Company. Awardee will be deemed to have been issued the full number of Common Shares subject to the SAs, notwithstanding that a number of whole vested Common Shares are held back solely for the purpose of paying the Tax-Related Items. Awardee shall pay to the Company or to Awardee's actual employer any amount of Tax-Related Items that the Company or Awardee's actual employer may be required to withhold as a result of Awardee's receipt of SAs, the vesting of SAs, or the conversion of vested SAs to Common Shares that cannot be satisfied by the means described in this paragraph. Except where applicable legal or regulatory provisions prohibit and notwithstanding anything in the Plan to the contrary, the standard process for the payment of an Awardee's Tax-Related Items shall be for the Company or Awardee's actual employer to withhold in Common Shares only to the amount of shares necessary to satisfy the minimum withholding amount or such other amount determined by the Company as not resulting in negative accounting consequences for the Company. The Company may refuse to deliver Common Shares to Awardee if Awardee fails to comply with Awardee's obligation in connection with the Tax-Related Items as described in this section 9.

(c) In lieu of issuing fractional Common Shares, on the vesting of a fraction of a SA, the Company shall round the shares down to the nearest whole share and any such share that represents a fraction of a SA will be included in a subsequent vest date.

(d) Until the distribution to Awardee of the Common Shares in respect of the vested SAs is evidenced by deposit in Awardee's brokerage account, Awardee shall have no right to vote or receive dividends or any other rights as

a shareholder with respect to such Common Shares, notwithstanding the vesting of SAs. No adjustment will be made for a dividend or other right for which the record date is prior to the date Awardee is recorded as the owner of the Common Shares, except as provided in Section 14 of the Plan.

(e) By accepting the Award of SAs evidenced by this Award Agreement, Awardee agrees not to sell any of the Common Shares received on account of vested SAs at a time when applicable laws or Company policies prohibit a sale. This restriction shall apply so long as Awardee is an Employee, Consultant or outside director of the Company or a Subsidiary of the Company.

10. Non-Transferability of SAs. Awardee's right in the SAs awarded under this Award Agreement and any interest therein may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner, other than by will or by the laws of descent or distribution. SAs shall not be subject to execution, attachment or other process.

11. Acknowledgment of Nature of Plan and SAs. In accepting the Award, Awardee acknowledges that: (a) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, as provided in the Plan;

(b) the Award of SAs is voluntary and occasional and does not create any contractual or other right to receive future awards of SAs or other awards, or benefits in lieu of SAs even if SAs have been awarded repeatedly in the past;

(c) all decisions with respect to SAs or other future awards, if any, will be at the sole discretion of the Company;

(d) Awardee's participation in the Plan is voluntary;

(e) the future value of the underlying Common Shares is unknown and cannot be predicted with certainty;

(f) if Awardee receives Common Shares, the value of the Common Shares acquired on vesting of SAs may increase or decrease in value;

(g) notwithstanding any terms or conditions of the Plan to the contrary and consistent with Section 4 above, in the event of termination of Awardee's Continuous Status as a Participant under circumstances where Section 7 above does not apply (whether or not in breach of applicable laws), Awardee's right to receive SAs and vest under the Plan, if any, will terminate effective as of the date that Awardee is no longer actively employed and will not be extended by any notice period mandated under applicable law. Awardee's right to receive Common Shares pursuant to the SAs after termination of Continuous Status as a Participant, if any, will be calculated as of the date of termination of Awardee's active employment and will not be extended by any notice period mandated under applicable law. The senior corporate officer in charge of the Human Resources department shall have the exclusive discretion to determine when Awardee is no longer actively employed for purposes of the award of SAs; and

(h) Awardee acknowledges and agrees that, regardless of whether Awardee is terminated with or without cause, notice or pre-termination procedure or whether Awardee asserts or prevails on a claim that Awardee's employment was terminable only for cause or only with notice or pre-termination procedure, Awardee has no right to, and will not bring any legal claim or action for, (a) any damages for any portion of the SAs that have been vested and converted into Common Shares, or (b) termination of any unvested SAs under this Award Agreement.

12. No Employment Right. Awardee acknowledges that neither the fact of this Award of SAs nor any provision of this Award Agreement or the Plan or the policies adopted pursuant to the Plan shall confer upon Awardee any right with respect to employment or continuation of current employment with the Company or with Awardee's actual employer, or to employment that is not terminable at will. Awardee further acknowledges and agrees that neither the Plan nor this Award of SAs makes Awardee's employment with the Company or Awardee's actual employer for any minimum or fixed period, and that this employment is subject to the mutual consent of Awardee and the Company or Awardee's actual employer, and may be terminated by either Awardee or the Company or Awardee's actual employer at any time, for any reason or no reason, with or without cause or notice or any kind of pre- or post-termination warning, discipline or procedure.

13. Administration. Except as otherwise expressly provided in the Plan, the authority to manage and control the operation and administration of this Award Agreement shall be vested in the Committee, and the Committee shall have all powers and discretion with respect to this Award Agreement as it has with respect to the Plan. Any interpretation of the Award Agreement by the Committee and any decision made by the Committee with respect to the Award Agreement shall be final and binding on all parties. References to the Committee in this Award Agreement shall be read to include a reference to any delegate of the Committee acting within the scope of his or her delegation.

14. Plan Governs. Notwithstanding anything in this Award Agreement to the contrary, the terms of this Award Agreement shall be subject to the terms of the Plan, and this Award Agreement is subject to all interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan.

15. Notices. Any written notices provided for in this Award Agreement that are sent by mail shall be deemed received three business days after mailing, but not later than the date of actual receipt. Notices shall be directed, if to Awardee, at Awardee's address indicated by the Company's records and, if to the Company, at the Company's principal executive office.

16. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to SAs awarded under the Plan or future SAs that may be awarded under the Plan by electronic means or request Awardee's consent to participate in the Plan by electronic means. Awardee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

17. Acknowledgment. By Awardee's acceptance of this Award Agreement in the manner described in "Awardee's Acceptance" at the end of this Award Agreement, Awardee acknowledges that Awardee has received and has read, understood and accepted all the terms, conditions and restrictions of this Award Agreement, the Plan, and the current policies referenced in Section 2(c) above. Awardee understands and agrees that this Award Agreement is subject to all the terms, conditions, and restrictions stated in this Award Agreement and in the other documents referenced in the preceding sentence, as the latter may be amended from time to time in the Company's sole discretion.

18. Board Approval. These SAs have been awarded pursuant to the Plan and accordingly this Award of SAs is subject to approval by an authorized committee of the Board of Directors. If this Award of SAs has not already been approved, the Company agrees to submit this Award for approval as soon as practical. If this approval is not obtained, this award is null and void.

19. Governing Law and Venue. This Award Agreement shall be governed by the laws of the State of Washington, U.S.A., without regard to Washington laws that might cause other law to govern under applicable principles of conflicts of law. The venue for any litigation related to this Award Agreement will be in King County, Washington.

20. Severability. If one or more of the provisions of this Award Agreement shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions that could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Award Agreement to be construed so as to foster the intent of this Award Agreement and the Plan.

21. Complete Award Agreement and Amendment. This Award Agreement (including the policies referenced in Section 2(c) above) and the Plan constitute the entire agreement between Awardee and the Company regarding SAs. Any prior agreements, commitments or negotiations concerning these SAs are superseded. This Award Agreement may be amended only by written agreement of Awardee and the Company, without consent of any other person, provided that no consent is necessary to an amendment that in the reasonable judgment of the Committee confers a benefit on Awardee. Awardee agrees not to rely on any oral information regarding this Award of SAs or any written materials not identified in this Section 21.

22. Code Section 409A. This Award Agreement shall be interpreted, operated, and administered in a manner so as not to subject Awardee to the assessment of additional taxes or interest under Code section 409A, and this Award Agreement shall be amended as the Company, in its sole discretion, determines is necessary and appropriate to avoid the application of any such taxes or interest.

MICROSOFT CORPORATION

Lisa Brummel,

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Executive Vice President, Human Resources

AWARDEE'S ACCEPTANCE:

I have read and fully understood this Award Agreement and, as referenced in Section 17 above, I accept and agree to be bound by all of the terms, conditions and restrictions contained in this Award Agreement and the other documents referenced in it. I intend to express my acceptance of the Award and this Award Agreement by typing my name in Awardee acceptance window provided in "step 2" of the award acceptance checklist, and I further intend the typing of my name to have the same force and effect in all respects as a handwritten signature.