
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 8-K

**CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported) February 4, 2014

Microsoft Corporation
(Exact Name of Registrant as Specified in Its Charter)

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)

(Former Name or Former Address, if Changed Since Last Report)

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 (see General Instruction A.2. below):

- 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. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers

(c) On February 4, 2014, Microsoft Corporation (the "Company") announced that the board of directors of the Company appointed Satya Nadella as Chief Executive Officer ("CEO") and a director of the Company. Mr. Nadella will assume his new roles immediately and CEO Steven A. Ballmer has retired as an employee of the Company. The Company's press release announcing Mr. Nadella's appointment is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Mr. Nadella, age 46, has served as the Company's Executive Vice President, Cloud and Enterprise since July 2013. From 2011 to 2013, Mr. Nadella served as President, Server and Tools. Prior to that, he was Senior Vice President, Online Services Division from 2009 to 2011, and Senior Vice President, Search, Portal and Advertising from 2008 to 2009. Since joining Microsoft in 1992, Mr. Nadella's roles have also included Vice President of the Business Division. Mr. Nadella holds a bachelor's degree in electrical engineering from Mangalore University, a master's degree in computer science from the University of Wisconsin-Milwaukee and a master's degree in business administration from the University of Chicago.

There are no arrangements or understandings between Mr. Nadella and any other persons pursuant to which he was selected as a director. He has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

The Company entered into a letter agreement with Mr. Nadella (the "Offer Letter"), dated February 3, 2014, establishing his compensation as CEO as summarized below.

Salary. Mr. Nadella's annual salary rate will increase to \$1,200,000.

Ongoing Incentive Compensation. Mr. Nadella will participate in the Company's Executive Incentive Program ("EIP") as it may be in effect from time to time. There are currently two components of the EIP:

- *EIP Cash Award.* For the remainder of fiscal year 2014 and all of fiscal year 2015, Mr. Nadella's annual cash award target under the EIP will be 300% of his salary earned as CEO during the applicable period. The actual cash award can be from 0% to 300% of the target.
- *EIP Stock Award.* For the Company's 2015 fiscal year, on an annualized basis Mr. Nadella's EIP stock award will be \$13,200,000.

One-Time Stock Award. In connection with his appointment, Mr. Nadella will receive a one-time stock award in the form of Long-Term Performance Stock Awards ("LTPSAs"). One-third of the LTPSAs will be earned based on the Company's total shareholder return relative to the S&P 500 over each of three overlapping, five-year performance periods beginning on the grant date and the first and second anniversaries thereof. The number of LTPSAs that will vest at the end of the applicable performance period will be determined according to the schedule set forth in the Offer Letter, with a relative total shareholder return at the sixtieth (60th) percentile required for a target level earn-out of 600,000 LTPSAs per performance period.

Termination of Employment. Mr. Nadella will continue to participate in the Company's Senior Executive Severance Benefit Plan ("SESBP") (except that, for the first 24 months of his new role, vesting of "eligible stock awards" under the SESBP that would otherwise vest in the 12 months following the Covered Termination (as defined in the SESBP) will be determined without proration). In addition, if Mr. Nadella's employment is terminated by the Company without Cause (as defined in the SESBP), his LTPSAs for which the performance period has begun but has not been completed will be prorated and continue to vest without regard to any employment or performance condition (other than satisfaction of a threshold goal set forth in the applicable award agreement), based on deemed Relative TSR at the 30th percentile level for the performance period and the ratio of the number of full and partial months from the beginning of the performance period to the date his employment terminates and the number of full months in the performance period.

The foregoing description of the Offer Letter is qualified in its entirety by reference to the full text of the Offer Letter, which is filed as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated by reference.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits:

Exhibit No.	Description
10.1	Offer Letter, dated February 3, 2014, between Microsoft Corporation and Mr. Nadella.
99.1	Press release dated February 4, 2014.

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 CORPORATION
(Registrant)

Date: February 4, 2014

/s/ John A. Seethoff

John A. Seethoff
Assistant Secretary

INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
10.1	Offer Letter, dated February 3, 2014, between Microsoft Corporation and Mr. Nadella.
99.1	Press release dated February 4, 2014.

[Microsoft letterhead]

February 3, 2014

Satya Nadella
Microsoft Corporation
One Microsoft Way
Redmond, WA 98052

Dear Satya:

On behalf of the Board of Directors (Board), I am pleased to offer you the position of Chief Executive Officer of Microsoft Corporation (CEO).

Position and Effective Date

In your capacity as CEO, you will report directly (and only) to the Board and have all of the customary authorities, duties and responsibilities that accompany your position. On the effective date, you will also become a member of the Board. The effective date for your new roles will be February 4, 2014.

Salary

On the effective date, your annual salary rate will increase to \$1,200,000, payable semi-monthly.

Ongoing Incentive Compensation

You will participate in Microsoft's Executive Incentive Program (EIP) as it may be in effect from time to time. We expect that you will work with the Compensation Committee of the Board to assess and revise, if appropriate, the EIP to ensure alignment with business priorities. There are currently two key components of the EIP.

- **EIP Cash Award**

For Microsoft's 2014 and 2015 fiscal years, your annual cash award target will be 300% of your salary earned as CEO during the fiscal year. Your actual cash award can be from 0-300% of the target and will be based on your performance as evaluated by the Board.

- **EIP Stock Award**

For Microsoft's 2015 fiscal year, on an annualized basis your EIP stock award will be \$13,200,000.

One-Time Compensation

To further align your interests with the long-term performance of Microsoft, you will be granted Long-Term Performance Stock Awards (LTPSAs) on the effective date.

One-third of your LTPSAs will be earned based on Microsoft's Total Shareholder Return relative to the S&P 500 (Relative TSR) over each of three overlapping, five-year performance periods (LTPSA Performance Periods) commencing on the grant date and the first and second anniversaries thereof. The number of LTPSAs that will vest at the end of the applicable LTPSA Performance Period will be determined according to the following schedule.

If 5-year Relative TSR is (1)	30th percentile or less	40th percentile	50th percentile	60th percentile	70th percentile	80th percentile and above
The number of LTPSAs that vest is	150,000 (2) Threshold	300,000	450,000	600,000 Target	750,000	900,000 Maximum
(1) If Relative TSR falls between the amounts shown in the table, the number of LTPSAs that vest will be determined by linear interpolation.						
(2) Requires satisfaction of the Threshold Goal set forth in the LTPSA award agreement.						

Termination of Employment

You will continue to participate in Microsoft's Senior Executive Severance Benefit Plan (SESBP), as it may be in effect from time to time (except that, for the first 24 months of your new role, vesting of "eligible stock awards" under the SESBP that would otherwise vest in the 12 months following the Covered Termination (as defined in the SESBP) will be determined without proration). In addition, if your employment is terminated by Microsoft without Cause (as defined in the SESBP),

- (1) your LTPSAs for which the LTPSA Performance Period has begun but has not been completed will be prorated and continue to vest without regard to any employment or performance condition (other than satisfaction of the Threshold Goal set forth in the LTPSA award agreement), based on deemed Relative TSR at the 30th percentile level for the Performance Period and the ratio of the number of full and partial months from the beginning of the LTPSA Performance Period to the date your employment terminates and the number of full months in the LTPSA Performance Period, and
- (2) in the case of such a termination before the grant of your 2015 EIP stock award, you will receive cash payments under the SESBP with respect to that stock award as if it had been granted on the date of this offer.

Moreover, while the terms of the SESBP indicate that the SESBP may be amended or terminated by Microsoft's Compensation Committee in any manner, no such amendment or termination of the SESBP shall operate to reduce the terms of the SESBP (as modified above) as they would apply to you as of the date of this offer. In other words, the terms of the SESBP as they would apply to you can be changed to increase amounts payable to you thereunder, but cannot be changed to reduce or eliminate amounts payable to you under the SESBP as currently in effect (and as modified by this offer).

Additionally, and for the avoidance of doubt, nothing in (1) or (2) above shall operate to reduce severance amounts payable to you under that portion of the SESBP that provides for reduction for "any severance or similar benefits under any other Microsoft plan, program or policy."

Benefits

You will continue to be eligible to participate in Microsoft's broad-based employee benefit programs.

Reimbursement of Expenses

We will reimburse you for the reasonable expenses incurred in negotiating the terms of your employment up to \$50,000.

Stock Ownership and Executive Compensation Recovery Policy

Long-term perspective and accountability are fundamental values of Microsoft. As a senior executive, you agree that you will continue to be subject to Microsoft's Stock Ownership and Holding Requirements and Executive Compensation Recovery Policy as they may change from time to time. Links to these policies are available at <http://www.microsoft.com/investor/CorporateGovernance/ShareholderAccountability/default.aspx>.

Cooperation

You agree (whether during or after your employment with Microsoft) to reasonably cooperate with Microsoft in connection with any litigation or regulatory matter or with any government authority on any matter, in each case, pertaining to Microsoft and with respect to which you may have relevant knowledge, provided that, in connection with such cooperation, Microsoft will reimburse your reasonable expenses and you shall not be required to act against your own legal interests.

Standard Microsoft Arrangements

This offer is subject to your signed acceptance of the Microsoft's standard Arbitration Agreement and Employee Agreement. Microsoft will treat all payments to you under this offer (except for expense reimbursements that are not subject to taxation) as compensation for services and, accordingly, may withhold from any payment any taxes that are required to be withheld under any law, rule or regulation. Any equity awards granted under this offer will be subject to the terms of Microsoft's 2001 Stock Plan (or any successor) and the applicable form of award agreement approved under that Plan.

Entire Agreement

This offer, together with the Arbitration Agreement, the Microsoft Corporation Employee Agreement, and the applicable Microsoft plan documents, constitute the complete and exclusive agreement between us regarding this offer and your employment and supersede any prior representations or promises, whether written or oral. This offer may only be amended or modified in a written agreement signed by you and a person authorized to act on behalf of the Board.

The Board looks forward to your acceptance.

Sincerely,

/s/ Lisa Brummel

Lisa Brummel, Executive Vice President, Human Resources

ACCEPTANCE:

I have read and fully understood this offer. I agree with, and accept, this offer subject to the terms and conditions detailed above.

/s/ Satya Nadella

February 3, 2014 (date)

For Release 6 a.m. PST
Feb. 4, 2014

Microsoft Board Names Satya Nadella as CEO

Bill Gates steps up to new role as Technology Advisor; John Thompson assumes role as
Chairman of Board of Directors

REDMOND, Wash. — Feb. 4, 2014 — Microsoft Corp. today announced that its Board of Directors has appointed Satya Nadella as Chief Executive Officer and member of the Board of Directors effective immediately. Nadella previously held the position of Executive Vice President of Microsoft's Cloud and Enterprise group.

"During this time of transformation, there is no better person to lead Microsoft than Satya Nadella," said Bill Gates, Microsoft's Founder and Member of the Board of Directors. "Satya is a proven leader with hard-core engineering skills, business vision and the ability to bring people together. His vision for how technology will be used and experienced around the world is exactly what Microsoft needs as the company enters its next chapter of expanded product innovation and growth."

Since joining the company in 1992, Nadella has spearheaded major strategy and technical shifts across the company's portfolio of products and services, most notably the company's move to the cloud and the development of one of the largest cloud infrastructures in the world supporting Bing, Xbox, Office and other services. During his tenure overseeing Microsoft's Server and Tools Business, the division outperformed the market and took share from competitors.

"Microsoft is one of those rare companies to have truly revolutionized the world through technology, and I couldn't be more honored to have been chosen to lead the company," Nadella said. "The opportunity ahead for Microsoft is vast, but to seize it, we must focus clearly, move faster and continue to transform. A big part of my job is to accelerate our ability to bring innovative products to our customers more quickly."

"Having worked with him for more than 20 years, I know that Satya is the right leader at the right time for Microsoft," said Steve Ballmer, who announced on Aug. 23, 2013 that he would retire once a successor was named. "I've had the distinct privilege of working with the most talented employees and senior leadership team in the industry, and I know their passion and hunger for greatness will only grow stronger under Satya's leadership."

Microsoft also announced that Bill Gates, previously Chairman of the Board of Directors, will assume a new role on the Board as Founder and Technology Advisor, and will devote more time to the company, supporting Nadella in shaping technology and product direction. John Thompson, lead independent director for the Board of Directors, will assume the role of Chairman of the Board of Directors and remain an independent director on the Board.

"Satya is clearly the best person to lead Microsoft, and he has the unanimous support of our Board," Thompson said. "The Board took the thoughtful approach that our shareholders, customers, partners and employees expected and deserved."

With the addition of Nadella, Microsoft's Board of Directors consists of Ballmer; Dina Dublon, former Chief Financial Officer of JPMorgan Chase; Gates; Maria M. Klawe, President of Harvey Mudd College; Stephen J. Luczo, Chairman and Chief Executive Officer of Seagate Technology PLC; David F. Marquardt, General Partner at August Capital; Nadella; Charles H. Noski, former Vice Chairman of Bank of America Corp.; Dr. Helmut Panke, former Chairman of

the Board of Management at BMW Bayerische Motoren Werke AG; and John W. Thompson, Chief Executive Officer of Virtual Instruments. Seven of the 10 board members are independent of Microsoft, which is consistent with the requirement in the company's governance guidelines that a substantial majority be independent.

Founded in 1975, Microsoft (Nasdaq "MSFT") is the worldwide leader in software, services and solutions that help people and businesses realize their full potential.

For more information, press only:

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