Your potential. Our passion.™

Microsoft®

Partners in Innovation

Silicon Valley Citizenship 2006

Partnering for Innovation in Silicon Valley

Dear Friends:

With 1,500 employees living and working in Silicon Valley, Microsoft clearly has a strong presence in the region. That presence extends to 3,500 partners with whom we work to foster innovation throughout California and with our customers around the world.

But we're not just innovating technology. Because of our influence and success, we have an unprecedented opportunity to innovate as corporate citizens as well. Recognizing that responsibility, we take creative approaches to advancing the social and economic well-being in the Valley—enabling people and businesses to realize their full potential.

In our drive to be both innovators and model citizens in this unique community, we realize that we have a responsibility to use our resources and encourage our people to make a positive impact on the world around us. Although we are a global enterprise, doing business in more than 100 countries around the world, we also consider ourselves a local company and a neighbor in each country and community where our employees live and work. To that end, we're committed to being a business partner and an employer that is intimately involved in each community in which we're located.

On the following pages, you'll read some examples of how we are living our role in Silicon Valley by demonstrating open and responsible business practices, promoting safety and Internet security, and advancing the knowledge economy. We hope you'll agree that the work we're doing in the region is helping solidify Microsoft's reputation as an active corporate citizen, committed to innovating and achieving great things right in our own backyard.

Sincerely,

Dan'l Lewin
Corporate Vice President

Demonstrating Responsible Business Practices

DIVERSITY

Held Silicon Valley Minority Student Day

Microsoft Silicon Valley hosted the company's Minority Student Day, an event aimed at opening doors to the tech world for minority students. The event, part of the 15th Annual BAM (Blacks at Microsoft) Minority Student Day celebrated at Microsoft offices across the country, was attended by more than 1,000 high school students.

Formed Council to Promote Diversity Initiatives

Microsoft Silicon Valley created a new diversity council tasked with developing a workforce that reflects and embraces the diversity of available candidates nationally; creating an inclusive work environment that makes full use of the contributions of all employees; and setting a positive example for other Microsoft offices and the technology industry.

Kicked Off Hispanic Employees Group

Hispanic employees at Microsoft Silicon Valley launched a new group called Grupo Unido Ibero Americano (GUIA). As part of its first project, GUIA hosted nearly 100 students from the Puente Project, an academic preparation program that helps underserved students succeed in high school or community college, earn degrees at four-year colleges and universities, and return to the community as leaders and mentors.

Received Recognition for Advancement of Women in the Workplace

Microsoft was recognized by the Professional BusinessWomen of California (PBWC) as one of the top companies for businesswomen in the Bay Area.

INTEROPERABILITY

Produced Interoperability Conference

Microsoft, SDForum, and Sun Microsystems collaborated to produce an industry-first event: The Interoperability Forum—An Open Industry Dialog. This forum gathered industry thought leaders Deloitte, IBM, HP, Intel, Microsoft, Sun, and Oracle, along with Burton Group expert Anne Thomas Manes, for a lively, open dialog on industrywide initiatives for interoperability.

integrity

Collaborated with Sun to Showcase Interoperability

As part of its ongoing interoperability efforts with Sun Microsystems, Microsoft held a joint presentation with Sun officials at the JavaOne user conference in May. At the event, attended by 14,000 developers, Microsoft and Sun presented a live demo of Microsoft's Windows CardSpace (formerly "InfoCard") and Sun's Web Services Interoperability Technology (WSIT), an implementation of a number of open Web services specifications to support enterprise features such as message optimization, reliable messaging, and security.

STRATEGIC AND EMERGING BUSINESS

Hosted Venture Capital Summit

The Microsoft Emerging Business Team hosted the Annual VC Summit, a meeting of Silicon Valley and other first-tier venture capitalists and Microsoft executives. The Summit, attended by more than 100 venture capitalists (VCs) from the United States and Europe, sought to facilitate connections between Microsoft executives and the VC community and encourage VCs and their portfolios to partner with the company.

Provided Insider's Guide for Start-ups

Along with IBDNetwork, Microsoft's Emerging Business Team hosted Partnering with Microsoft: The Insider's Guide for Start-ups at Microsoft Silicon Valley. The 100 entrepreneurs at the event learned how to maximize opportunities, build strategic initiatives, and develop a successful partner engagement with Microsoft.

Solicited Feedback from Strategic Developer Community

For the second consecutive year, Microsoft hosted 51 top competitive technology leaders at Microsoft headquarters in Redmond for open discussions at the Microsoft Technology Summit.

Initiated BioIT Alliance

Microsoft initiated the BioIT Alliance (http://bioitalliance.org), a community site which unites the pharmaceutical, biotech, hardware, and software industries to share complex biomedical data and foster collaboration to speed the pace of discovery in the life sciences.

Launched SecureIT Alliance

Microsoft served as a catalyst for launching the SecureIT Alliance community site, which comprises more than 100 IT Security partners. The site (www.secureitalliance.org) is an informational resource that is designed to provide the latest security news and a comprehensive list of products, tools, and services.

ENVIRONMENT

Flipped the Switch on Valley's Largest Solar Panel System

Microsoft made this year's Earth Day a memorable one—by powering up a massive solar panel system. At a gathering in April at Microsoft Silicon Valley, the company turned on its new solar electric system. The panels, part of the largest solar power system in Silicon Valley, generate 480 kilowatts of power at peak capacity—enough energy to power 500 homes.

Practiced Environmental Sustainability

Microsoft subsidizes transit for its roughly 1,500 Silicon Valley employees and offers free shuttles between train stations and offices. In addition, employees receive a
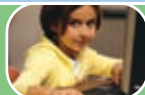
discount when buying gas-electric hybrid cars. Microsoft Silicon Valley, which was built in 1999, also features dimmable and motion sensor-based lighting, recyclable carpets and doors, and drought-resistant landscaping.

Hosted Trailblazer Race to Raise Funds for Popular Silicon Valley Trail

Microsoft was the lead sponsor of the Trailblazer Race in September. This premier Silicon Valley race, organized by the Friends of Stevens Creek Trail, is a fundraiser dedicated to preserving the Stevens Creek Trail, a popular four-mile Bay Area trail that runs from Silicon Valley to San Francisco Bay and the Pacific Ocean.

Promoting Security and Internet Safety

Educated Community on Cyber Risks for Children

At a state senate hearing held at Microsoft's Silicon Valley campus, senators, law enforcement officials, and representatives from MySpace.com and Yahoo! discussed the risks children can face online, and what can be done to protect them against sexual predators.

Founded the California Cyber Safety Coalition

Microsoft joined other industry leaders, nonprofits, and California state officials to form the California Coalition for Children's Internet Safety. The Coalition includes Microsoft and other experts from law enforcement, technology companies, education, and government. The result of that involvement is this fall's Cyber Safety Summit: Protecting California Children Online, a meeting in Sacramento presented by the Coalition.

Sponsored California Anti-Phishing Bill

Microsoft was the sponsor of the recently enacted anti-phishing law (SB 355). The legislation grants online businesses the right to sue perpetrators of phishing attacks, a scam in which Internet users are tricked into providing financial account information and passwords to fake Web sites.

Supported California Antispam Movement

Microsoft's Legal and Community Affairs (LCA) and Internet Safety Enforcement groups recently teamed with the California attorney general and the Federal Trade Commission to investigate illegal spam e-mail. The Microsoft groups directly supported a lawsuit by providing evidence of illegal spam to the Consumer Law Section of the California Office of the Attorney General. The suit was the first joint California-FTC action brought under the 2004 CAN-SPAM (Controlling the Assault of Non-Solicited Pornography and Marketing) Act.

Advancing the Knowledge Economy

COMMUNITY GIVING AND ENGAGEMENT

Microsoft a Leader in Bay Area Giving

Microsoft Bay Area employees contributed nearly $2.5 million to the community though the Employee Giving Campaign and the year-round company matching program. Among corporate giving campaigns that were associated with United Way Silicon Valley, Microsoft was ranked the second-largest corporate giver. The *San Francisco Business Times* also recognized Microsoft for its sizable cash contributions.

Bridged Digital Divide Through Unlimited Potential Grants

Through the Unlimited Potential grant program, Microsoft awarded cash and software grants valued at $338,000 to five San Francisco Bay Area nonprofits: Community Solutions for Children, Families, and Individuals, Morgan Hill; Grail Family Services, San Jose; CrossCultural Community Services Center, San Jose; Jewish Vocational Services; and the East Bay Community Development Center.

Donated $20,000 to Community School of Music and Arts

At the recent Community School of Music and Arts (CSMA) Spring Gala, Microsoft presented a $20,000 gift—the event's largest—to the A. McConnell Scholarship Fund. CSMA is the largest nonprofit provider of arts education programs in Santa Clara and San Mateo counties.

Sponsored Community and Industry Events

Microsoft Silicon Valley sponsored the following community and industry events this year:

BarCamp

Churchill Club
- The Era of Connected Gaming: An Inside Look at an Industry on the Verge of a Revolution
- A Conversation with Steve Ballmer, CEO of Microsoft Corporation
- Video Goes Internet: The Future of What You Watch

Community Foundation Silicon Valley (CFSV)—Annual Awards Luncheon

Commonwealth Club
- Protecting Privacy in a Connected World
- A Conversation with Steve Ballmer, CEO of Microsoft Corporation

Forum for Women Entrepreneurs & Executives—Start-up CEO & Founders Forum

Friends of Steven's Creek Trailblazer Race

IBDNetwork
- Under the Radar: Consumer Technologies
- Under the Radar: Enterprise Technologies
- Under the Radar: Web 2.0
- Under the Radar: Digital Media
- The Dealmaker Forum
- Strategy Series: Mashups, Consumers, Read/Write Web

The Indus Entrepreneurs (TiE)
- TiECON 2006
- TiE Institute

Industry Initiatives for Science and Math Education (IISME)—Teacher Fellowship

JavaOne Conference

Lenders for Community Development—Annual Meeting

Microformats—One-Year Anniversary Celebration

Mountain View Chamber of Commerce
- Leadership Mountain View
- Mountain View Art and Wine Festival
- Mountain View Celebration of Leaders Event

Mountain View Education Foundation—Annual Fundraiser

Mountain View Los Altos High School District—Multimedia Academy

Music@Menlo

National Venture Capital Association—Annual Meeting

Sand Hill Group—Software 2006

Silicon Valley Law Foundation (SVLF)—Annual Dinner

Silicon Valley Leadership Group—Annual Luncheon

Software Developer Forum (SDForum)
- Web-based Architectures: Where Things Are and Where They're Going
- 2006 Visionary Awards
- Interoperability Forum: An Open Industry Dialog
- Emerging Technologies Showcase

Stanford Lively Arts—Wayne Shorter Quartet

Stonebrick Group's Connector Showcase

Tech Museum of Innovation Awards Gala

TheatreWorks—*The Sisters Rosensweig* and The New Works Festival

Women's Technology Cluster—Mentor Network

Helped Community Partners Realize Their Full Potential Through Software Grants

The San Francisco Opera, Room to Read, and San Jose Conservation Corps and Charter School received a combined total of nearly $1 million of Microsoft software. Microsoft provides these software grants to strategic community partners.

Volunteered on Day of Caring

Ninety Microsoft employees participated in five Day of Caring volunteer projects during the Giving Campaign in October. In addition, employees participated in community activities during the 2005 holidays.

ACADEMIC AND EDUCATIONAL OUTREACH

Hosted Silicon Valley Tech Road Show

Microsoft Research hosted the Silicon Valley Tech Road Show 06, a panel discussion on the collaboration of academic and corporate research. Attendees toured several interactive research demonstration booths showcasing mobility, gaming, location services, search, hardware, and database projects.

Donated Software and Provided Training

Microsoft, through a partnership with the Association of Education Service Agencies (AESA), has given software and training grants to several educational training providers throughout Silicon Valley. One organization, the Santa Clara County Office of Education, used donated software to set up new training labs.

Participated in Makers Faire 06

The Microsoft Academic Program, as a guest of the Visual Express team, took part in Makers Faire 06. This event focused on helping students prepare to meet the demands of the modern workforce.

CAMPUS COMMUNITY & LEADERSHIP

Demonstrated Leadership Through Board Participation

The following Microsoft employees support local organizations as board members and advisory council members:

American Electronics Association—Dan'l Lewin, CVP, Strategic & Emerging Business Team

Churchill Club Advisory Council—Doug Free, Sr. Manager, Public Relations

Churchill Club—Dan'l Lewin, CVP, Strategic & Emerging Business Team

Entrepreneurs Foundation Mktg. Council—Doug Free, Sr. Manager, Public Relations

IBDNetworks Advisory Board—Jennifer Rosa, Program Director, Silicon Valley Marketing & Citizenship

Ives Quartet—Roy Levin, Distinguished Engineer/Director, Research & Development

Law Foundation of Silicon Valley—Scott Maples, Associate General Counsel

Mountain View Los Altos School District Multimedia Academy—
Jennifer Rosa, Program Director, Silicon Valley Marketing & Citizenship

Mountain View Chamber of Commerce—Jennifer Rosa, Program Director, Silicon Valley Marketing & Citizenship

San Jose Museum of Contemporary Art—Michael Cuneo, Director, MSTV Business Development

SDForum—Dan'l Lewin, CVP, Strategic & Emerging Business Team

Silicon Valley Public Relations Society of America—Doug Free, Sr. Manager, Public Relations

Tech Museum of Innovation—Dan'l Lewin, CVP, Strategic & Emerging Business Team

TechNet—Brad Smith, Senior Vice President, General Counsel, Corporate Secretary, Legal & Corporate Affairs

TiE (Charter Member)—Ashu Goel, MTT Director, Emerging Business Team; Sanjiv Parikh, Director, Emerging Business Team

United Way Silicon Valley—John Matheny, General Manager, MSN Access

Microsoft thanks Scott Beale (Laughing Squid) and Friends of Stevens Creek Trail (www.stevenscreektrail.org) for use of their event photos.

invest

community