

MICROSTRATEGY INC  
Form DEF 14A  
April 19, 2018

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

**SCHEDULE 14A**  
**(Rule 14a-101)**  
**INFORMATION REQUIRED IN**  
**PROXY STATEMENT**  
**SCHEDULE 14A INFORMATION**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No.    )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

**MicroStrategy Incorporated**

**(Name of registrant as specified in its charter)**

**(Name of person(s) filing proxy statement, if other than the registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which the transaction applies:
  
  
  
  
  
- (2) Aggregate number of securities to which the transaction applies:
  
  
  
  
  
- (3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
  
  
  
  
- (4) Proposed maximum aggregate value of the transaction:
  
  
  
  
  
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

April 19, 2018

Dear MicroStrategy Stockholder:

You are cordially invited to our Annual Meeting of Stockholders on Wednesday, May 30, 2018, beginning at 10:00 a.m., local time, at MicroStrategy's offices, 1850 Towers Crescent Plaza, Tysons Corner, Virginia 22182. The enclosed notice of annual meeting sets forth the proposals that will be presented at the meeting, which are described in more detail in the enclosed proxy statement. The Board of Directors recommends that you vote **FOR** Proposals 1, 2 and 3 as set forth in this proxy statement.

We look forward to seeing you there.

Very truly yours,

Michael J. Saylor

*Chairman of the Board,*

*President & Chief Executive Officer*

**1850 Towers Crescent Plaza**

**Tysons Corner, Virginia 22182**

**Notice of Annual Meeting of Stockholders**

**to be held on Wednesday, May 30, 2018**

The Annual Meeting of Stockholders (the Annual Meeting ) of MicroStrategy Incorporated, a Delaware corporation (the Company ), will be held at the Company s offices at 1850 Towers Crescent Plaza, Tysons Corner, Virginia 22182 on Wednesday, May 30, 2018 at 10:00 a.m., local time, to consider and act upon the following matters:

1. elect six (6) directors for the next year;
2. approve Amendment No. 4 to the MicroStrategy Incorporated 2013 Stock Incentive Plan to, among other things, increase the number of shares of class A common stock authorized for issuance under such plan from 1,700,000 to 2,300,000;
3. ratify the selection of KPMG LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2018; and
4. transact such other business as may properly come before the Annual Meeting or any adjournment thereof. Stockholders of record at the close of business on April 5, 2018 will be entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

By Order of the Board of Directors,

W. Ming Shao

*Senior Executive Vice President,*

*General Counsel and Secretary*

Tysons Corner, Virginia

April 19, 2018

**A STOCKHOLDER MAY OBTAIN ADMISSION TO THE MEETING BY IDENTIFYING HIMSELF OR HERSELF AT THE MEETING AS A STOCKHOLDER AS OF THE RECORD DATE. FOR A RECORD OWNER, POSSESSION OF A PROXY CARD WILL BE ADEQUATE IDENTIFICATION. FOR A BENEFICIAL (BUT NOT OF RECORD) OWNER, A COPY OF A BROKER S STATEMENT SHOWING SHARES HELD FOR HIS OR HER BENEFIT ON APRIL 5, 2018 WILL BE ADEQUATE IDENTIFICATION.**

**WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE SUBMIT YOUR VOTING INSTRUCTIONS OVER THE TELEPHONE OR ON THE INTERNET OR, IF YOU RECEIVED A PRINTED COPY OF THE PROXY MATERIALS, BY COMPLETING, SIGNING, DATING AND RETURNING YOUR PROXY CARD OR VOTING INSTRUCTION FORM. SUBMITTING VOTING INSTRUCTIONS OR A PROXY CARD WILL NOT PREVENT YOU FROM ATTENDING THE ANNUAL MEETING AND VOTING IN PERSON.**

**MICROSTRATEGY INCORPORATED**

**1850 Towers Crescent Plaza**

**Tysons Corner, Virginia 22182**

**Proxy Statement for the Annual Meeting of Stockholders**

**to be held on Wednesday, May 30, 2018**

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of MicroStrategy Incorporated (the Company, MicroStrategy, we or us) for use at the Annual Meeting of Stockholders (the Annual Meeting) to be held on Wednesday, May 30, 2018 at MicroStrategy's offices, 1850 Towers Crescent Plaza, Tysons Corner, Virginia 22182 at 10:00 a.m., local time, and at any adjournment thereof. For directions to the location of the Annual Meeting, please call (703) 848-8600 between the hours of 8:00 a.m. and 5:30 p.m., local time, on normal business days, and press 0 after hearing the voice prompt.

This proxy statement summarizes the information you will need to know to cast an informed vote at the Annual Meeting with respect to the proposals set forth in this proxy statement. You do not need to attend the Annual Meeting to vote your shares. You may vote by proxy over the telephone, on the Internet or by mail, and your votes will be cast for you at the Annual Meeting. This process is described below in the section entitled Voting Procedures. All executed proxies will be voted in accordance with the stockholders' instructions on the matters set forth in the accompanying Notice of Annual Meeting, and if no choice is specified, executed proxies will be voted in accordance with the Board of Directors' recommendations on such matters as set forth in this proxy statement. Any proxy or vote over the telephone or on the Internet may be revoked by a stockholder at any time before its exercise by delivery of written revocation or a subsequently dated proxy to the Secretary of the Company, or a subsequently executed proxy vote over the phone or on the Internet or by voting in person at the Annual Meeting.

We made available this proxy statement, the Notice of Annual Meeting of Stockholders and the proxy card on or about April 19, 2018 to all stockholders entitled to vote at the Annual Meeting. If you owned our class A common stock, par value \$0.001 per share, or our class B common stock, par value \$0.001 per share (collectively, the Common Stock), at the close of business on April 5, 2018, the record date, you are entitled to vote at the Annual Meeting. On the record date, there were outstanding and entitled to vote an aggregate of 9,411,810 shares of our class A common stock and an aggregate of 2,035,184 shares of our class B common stock. Each share of class A common stock entitles the record holder thereof to one vote on each of the matters to be voted on at the Annual Meeting and each share of class B common stock entitles the record holder thereof to ten votes on each of the matters to be voted on at the Annual Meeting.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be Held on May 30, 2018**

Pursuant to rules adopted by the Securities and Exchange Commission (the SEC), we have elected to provide access to our proxy materials on the Internet instead of mailing a printed copy of our proxy materials to all of our stockholders. Accordingly, we are sending a separate Notice of Internet Availability of Proxy Materials to our stockholders of record. All stockholders of record will have the ability to access the proxy materials and our annual report for the fiscal year ended December 31, 2017 (the Annual Report) on the website referred to in the Notice of Internet Availability of Proxy Materials or request to receive a printed copy of the proxy materials and Annual Report. Instructions on how to access the proxy materials and Annual Report on the Internet and how to request a printed copy may be found in the Notice of Internet Availability of Proxy Materials.

We intend to mail the Notice of Internet Availability of Proxy Materials on or about April 20, 2018 to all stockholders of record entitled to vote at the Annual Meeting.

## Votes Required

The holders of shares of Common Stock representing a majority of the votes entitled to be cast at the Annual Meeting shall constitute a quorum for the transaction of business at the Annual Meeting. Shares of Common Stock represented in person or by proxy, including shares which abstain or do not vote with respect to one or more of the matters presented for stockholder approval, will be counted for purposes of determining whether a quorum is present at the Annual Meeting.

The affirmative vote of a plurality of the votes cast by the holders of Common Stock voting on the matter is required for the election of directors (Proposal 1). The affirmative vote of a majority of the votes cast by the holders of Common Stock voting on the matter is required for: (i) the approval of Amendment No. 4 to the MicroStrategy Incorporated 2013 Stock Incentive Plan (Proposal 2); and (ii) the ratification of the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018 (Proposal 3).

Proposals 1 and 2 are non-discretionary items. If you abstain from voting on either proposal and your shares are held in street name by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote your shares on such matter, then your shares will not be counted as votes in favor of such matter or shares voting on such matter. Accordingly, abstentions and broker non-votes will have no effect on the voting on these proposals. Proposal 3 is a discretionary item and your broker or nominee will be able to vote your shares with respect to Proposal 3, even if you have not given voting instructions to your broker or nominee.

## Voting Procedures

### *Stockholder of Record: Shares Registered in Your Name*

If you are a stockholder of record, you may (i) vote in person at the Annual Meeting or (ii) vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy over the telephone, on the Internet or by mail as instructed below to help ensure your vote is counted. You may still attend the Annual Meeting and vote in person even if you have already voted by proxy; only your last vote before the close of voting will be counted.

- In Person:* To vote in person, come to the Annual Meeting and request a ballot to vote.
- Phone:* To vote over the telephone, dial toll-free 1-800-690-6903 using a touch-tone phone and follow the recorded instructions. You will be asked to provide the Stockholder Control Number from your proxy card or Notice of Internet Availability of Proxy Materials. Your vote must be received by 11:59 p.m., Eastern Daylight Time, on May 29, 2018 to be counted.
- Internet:* To vote on the Internet, go to [www.proxyvote.com](http://www.proxyvote.com) to complete an electronic proxy card. You will be asked to provide the Stockholder Control Number from your proxy card or Notice of Internet Availability of Proxy Materials. Your vote must be received by 11:59 p.m., Eastern Daylight Time, on May 29, 2018 to be counted.
- Proxy Card:* To vote by mail, simply complete, sign and date the proxy card, and return it promptly in the postage-paid envelope provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. To request a printed copy of the proxy card, follow the instructions found in the Notice of Internet Availability of Proxy Materials. If we receive your signed proxy card by May 29, 2018, the designated proxy holders will vote your shares as you direct.



***Beneficial Owner: Shares Registered in the Name of Broker, Financial Institution or Other Nominee***

If on April 5, 2018, your shares were held not in your name, but rather in an account at a brokerage firm, financial institution or other similar organization, then you are the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the Annual Meeting.

As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You should have received a proxy card and voting instructions with these proxy materials from that organization rather than from us. Simply complete and mail the proxy card and voting instructions to help ensure that your vote is counted. Alternatively, you may vote over the telephone or on the Internet as instructed by your broker, financial institution or other nominee, if applicable. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, financial institution or other nominee. Follow the instructions from your broker, financial institution or other nominee included with these proxy materials, or contact your broker, financial institution or other nominee to request a proxy.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of our Common Stock as of April 5, 2018, unless otherwise indicated, by:

each person who is known by us to beneficially own more than 5% of any class of our Common Stock;

each director or nominee for director;

each of our named executive officers as defined in Item 402(a)(3) of Regulation S-K; and

all directors and current executive officers as a group.

Percentages in the table have been calculated based on 9,411,810 shares of class A common stock and 2,035,184 shares of class B common stock outstanding as of April 5, 2018. In accordance with the rules of the SEC, for the purpose of calculating each director's or officer's percentage of shares outstanding, any shares of class A common stock subject to outstanding stock options held by such person that are currently exercisable or will become exercisable within 60 days after April 5, 2018 are deemed to be outstanding shares of class A common stock. However, we did not deem these shares outstanding for the purpose of computing the percentage ownership of any other person. Except as otherwise noted below, we believe, based on the information furnished to us, that the persons and entities named in the following table have sole voting and investment power with respect to all shares that they beneficially own, subject to any applicable community property laws.

Beneficial Owner	Number of Shares Beneficially Owned(2)		Percentage of Total Economic Interest(2)		Percentage of Total Voting Power(2)	
	Class A Common Stock	% of Class	Class B Common Stock	% of Class		
	Shares		Shares			
<b>Named Executive Officers and Directors:</b>						
Michael J. Saylor(1)(3)	400,000	4.1	2,011,668	98.8	20.4	68.0
Phong Q. Le(1)(4)	30,000	*			*	*
Stephen H. Holdridge(1)						
Timothy E. Lang(1)(5)	45,000	*			*	*
David J. Rennyson(1)(6)	57,500	*			*	*
Margaret A. Brea(1)						
Robert H. Epstein(1)(7)	25,400	*			*	*
Stephen X. Graham(1)(8)	32,700	*			*	*
Jarrold M. Patten(1)(9)	39,183	*			*	*
Leslie J. Rechan(1)						
Carl J. Rickertsen(1)(10)	45,500	*			*	*
<b>5% Stockholders:</b>						
BlackRock, Inc.(11)	1,430,180	15.2			12.5	4.8

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The Vanguard Group, Inc.(12)	892,552	9.5			7.8	3.0
Eminence Capital, LP(13)	761,123	8.1			6.6	2.6
All directors and current executive officers as a group (12 persons)(14)	637,888	6.3	2,011,668	98.8	21.9	68.3

\* Less than 1.0%.

- (1) Each such beneficial owner has an address in care of MicroStrategy Incorporated, 1850 Towers Crescent Plaza, Tysons Corner, Virginia 22182.
- (2) The inclusion of any shares of Common Stock deemed beneficially owned does not constitute an admission of beneficial ownership of those shares. The percentage of total economic interest and the percentage of total voting power are each calculated by treating the shares of our class A common stock and class B

- common stock together as a single class. Shares of class A common stock generally have the same rights, including rights to dividends, as shares of class B common stock, except that shares of class A common stock have one vote per share while shares of class B common stock have ten votes per share. Each share of class B common stock is convertible at any time, at the option of the holder, into one share of class A common stock.
- (3) Mr. Saylor's holdings of Common Stock consist of (i) an option exercisable on or within 60 days after April 5, 2018 to purchase 400,000 shares of class A common stock and (ii) 2,011,668 shares of class B common stock owned by Alcantara LLC, which is wholly owned by Mr. Saylor.
  - (4) Mr. Lee's holdings of Common Stock consist of options exercisable on or within 60 days after April 5, 2018 to purchase 30,000 shares of class A common stock.
  - (5) Mr. Lang's holdings of Common Stock consist of options exercisable on or within 60 days after April 5, 2018 to purchase 45,000 shares of class A common stock.
  - (6) Mr. Rennyson's holdings of Common Stock consist of options exercisable on or within 60 days after April 5, 2018 to purchase 57,500 shares of class A common stock. On April 3, 2018, Mr. Rennyson resigned from his position as the Company's Senior Executive Vice President, Worldwide Sales.
  - (7) Mr. Epstein's holdings of Common Stock consist of options exercisable on or within 60 days after April 5, 2018 to purchase 25,400 shares of class A common stock.
  - (8) Mr. Graham's holdings of Common Stock consist of (i) 200 shares of class A common stock held by Mr. Graham directly and (ii) options exercisable on or within 60 days after April 5, 2018 to purchase 32,500 shares of class A common stock.
  - (9) Mr. Patten's holdings of Common Stock consist of options exercisable on or within 60 days after April 5, 2018 to purchase 39,183 shares of class A common stock.
  - (10) Mr. Rickertsen's holdings of Common Stock consist of (i) 3,000 shares of class A common stock held by Mr. Rickertsen directly and (ii) options exercisable on or within 60 days after April 5, 2018 to purchase 42,500 shares of class A common stock.
  - (11) The number of shares beneficially owned (and other information in this footnote) is as of December 31, 2017, based on a Schedule 13G/A filed on January 19, 2018 with the SEC by BlackRock, Inc. and BlackRock Fund Advisors. The foregoing entities beneficially own 1,430,180 shares of class A common stock, and have sole voting power with respect to 1,404,692 of these shares and sole dispositive power with respect to all of these shares. The address for BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.
  - (12) The number of shares beneficially owned (and other information in this footnote) is as of December 31, 2017, based on a Schedule 13G/A filed on February 9, 2018 with the SEC by The Vanguard Group, Inc., Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd. The foregoing entities beneficially own 892,552 shares of class A common stock, and have sole voting power with respect to 14,951 of these shares, sole dispositive power with respect to 877,233 of these shares, shared voting power with respect to 1,034 of these shares and shared dispositive power with respect to 15,319 of these shares. The address for The Vanguard Group, Inc., Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd. is 100 Vanguard Boulevard, Malvern, PA 19355.
  - (13) The number of shares beneficially owned (and other information in this footnote) is as of December 31, 2017, based on a Schedule 13G/A filed on February 14, 2018 with the SEC by Eminence Capital, LP, Eminence GP, LLC and Ricky C. Sandler. The foregoing entities and person beneficially own 761,123 shares of class A common stock. Eminence Capital, LP has shared voting and dispositive power with respect to 758,256 of these shares; Eminence GP, LLC has shared voting and dispositive power with respect to 562,781 of these shares; and Ricky C. Sandler has sole voting and dispositive power with respect to 2,867 of these shares, and shared voting and dispositive power with respect to 758,256 of these shares. The address for Eminence Capital, LP, Eminence GP, LLC and Ricky C. Sandler is 65 East 55th Street, 25th Floor, New York, NY 10022.
  - (14) Shares of Common Stock held by the directors and current executive officers as a group consist of (i) 3,205 shares of class A common stock, (ii) options exercisable on or within 60 days after April 5, 2018 to purchase an aggregate of 634,683 shares of class A common stock and (iii) 2,011,668 shares of class B common stock, which are convertible into the same number of shares of class A common stock at any time at the option of the holder.



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## EXECUTIVE OFFICERS OF THE COMPANY

Our executive officers and their ages and positions as of April 19, 2018 are as follows:

Name	Age	Title
Michael J. Saylor	53	Chairman of the Board of Directors, President & Chief Executive Officer
Phong Q. Le	41	Senior Executive Vice President & Chief Financial Officer
Stephen H. Holdridge	57	Senior Executive Vice President, Worldwide Services
Timothy E. Lang	45	Senior Executive Vice President & Chief Technology Officer
Kevin Norlin	49	Senior Executive Vice President, Worldwide Sales
W. Ming Shao	49	Senior Executive Vice President & General Counsel

Set forth below is certain information regarding the professional experience of each of the above-named persons. There are no family relationships among any of our executive officers or directors.

*Michael J. Saylor* has served as Chief Executive Officer and Chairman of the Board of Directors since founding MicroStrategy in November 1989, and has served as President since January 2016, a position he previously held from November 1989 to November 2000 and from January 2005 to October 2012. Prior to that, Mr. Saylor was employed by E.I. du Pont de Nemours & Company as a venture manager from 1988 to 1989 and by Federal Group, Inc. as a consultant from 1987 to 1988. Mr. Saylor received an S.B. in Aeronautics and Astronautics and an S.B. in Science, Technology and Society from the Massachusetts Institute of Technology.

*Phong Q. Le* has served as Senior Executive Vice President & Chief Financial Officer since August 2015. Prior to joining MicroStrategy, Mr. Le served as the chief financial officer of XO Communications, a privately-held telecommunications company, from August 2014 to August 2015. From March 2010 to August 2014, Mr. Le held senior positions at NII Holdings, a Nasdaq-listed telecommunications company, including vice president of financial planning and analysis, vice president of strategy and business operations and vice president of strategic finance. Prior to that, Mr. Le worked in the consulting practice at Deloitte from 1998 to 2010, where he held various positions, including senior manager. Mr. Le holds a B.S. in Biomedical Engineering from The Johns Hopkins University and an M.B.A. from the Sloan School of Management at the Massachusetts Institute of Technology.

*Stephen H. Holdridge* has served as Senior Executive Vice President, Worldwide Services since November 2017. Prior to joining MicroStrategy, Mr. Holdridge served as senior vice president, consulting, Americas for Infor, Inc. (f/k/a Infor Global Solutions), a privately-held enterprise software company, from May 2012 to November 2017. From June 1997 to May 2012, Mr. Holdridge held senior consulting positions at Oracle Corporation, an NYSE-listed software company, including group vice president and general manager, government, education and healthcare consulting. Prior to that, Mr. Holdridge served as senior manager of the management consulting services division at Price Waterhouse LLP (now PricewaterhouseCoopers LLP) and as vice president, services and development at BIS Computer Solutions. Mr. Holdridge holds a B.S. in Business Administration from California Polytechnic State University.

*Timothy E. Lang* has served as Senior Executive Vice President & Chief Technology Officer since November 2014 and previously served as Senior Vice President, Analytics, a position he had held since September 2014. Prior to joining MicroStrategy, Mr. Lang served as the chief product officer for Talemtry Inc., a leading provider of talent generation SaaS solutions, from September 2010 to September 2014, and as vice president, product for SAP SE from January 2008 to September 2010. Prior to that, Mr. Lang held positions at SAP BusinessObjects and Crystal Decisions. Mr. Lang received a B.Soc.Sci. in Information Management from the University of Melbourne.



*Kevin Norlin* has served as Senior Executive Vice President, Worldwide Sales since April 2018. Prior to joining MicroStrategy, Mr. Norlin served as senior vice president, global sales, financial services for NCR Corporation, a publicly-traded technology company, from August 2017 to March 2018. Prior to NCR, Mr. Norlin worked at Hewlett Packard Enterprise, where he served as vice president and general manager, worldwide sales, operations and strategy from April 2016 to February 2017. From October 2012 to February 2016, Mr. Norlin held various senior positions at Dell Software Group, including vice president and general manager, Americas and EMEA. Mr. Norlin received a B.A. from Louisiana State University.

*W. Ming Shao* has served as Senior Executive Vice President & General Counsel since December 2014, and has previously served in other senior positions, including Executive Vice President & General Counsel, Senior Vice President & General Counsel and Senior Vice President & Deputy General Counsel, since joining MicroStrategy in February 2000. Prior to that, Mr. Shao was a lawyer practicing at the global law firm Hogan & Hartson L.L.P. (now Hogan Lovells US LLP). Mr. Shao received an A.B. in Government from Cornell University and a J.D. from Harvard Law School.

## PROPOSAL 1

### ELECTION OF DIRECTORS

The Board of Directors proposes the election of the persons listed below as directors of the Company. The persons named in the proxy card will vote to elect as directors the six nominees named below, unless authority to vote for the election of any or all of the nominees is withheld by marking the proxy to that effect. All of the nominees have indicated their willingness to serve, if elected, but if any should be unable or unwilling to serve, proxies may be voted for a substitute nominee designated by the Board of Directors. Each director will be elected to hold office until the next annual meeting of stockholders, and until the election and qualification of his or her successor or his or her earlier death, resignation or removal.

#### Nominees

Set forth below, for each nominee, is his or her name and age, position with the Company, principal occupation and business experience during at least the past five years, the year of commencement of his or her term as a director of the Company, and the names of other public companies in which he or she currently holds directorships or has held directorships during at least the past five years, as applicable. We have also presented information below regarding each nominee's specific experience, qualifications, attributes and skills that led our Board of Directors to conclude that he or she should serve as a director.

*Michael J. Saylor (53)* has served as Chief Executive Officer and Chairman of the Board of Directors since founding MicroStrategy in November 1989, and has served as President since January 2016, a position he previously held from November 1989 to November 2000 and from January 2005 to October 2012. Prior to that, Mr. Saylor was employed by E.I. du Pont de Nemours & Company as a venture manager from 1988 to 1989 and by Federal Group, Inc. as a consultant from 1987 to 1988. Mr. Saylor received an S.B. in Aeronautics and Astronautics and an S.B. in Science, Technology and Society from the Massachusetts Institute of Technology. We believe that Mr. Saylor is well-suited to serve on our Board of Directors due to his position as our Chief Executive Officer and his more than 25 years with the Company, including as its founder. In addition to his leadership expertise, Mr. Saylor is regarded as a technology visionary, and has deep knowledge of the Company's history, strategy, technology and culture, as well as unique insight into the Company's product development, marketing, finance and operations.

*Margaret A. Brea (56)* has been a member of the Board of Directors of MicroStrategy since March 2018. Ms. Brea has served as chief operating officer at Ionic Security, a privately-held provider of data protection and control software, since January 2016. Prior to that, Ms. Brea served as the executive vice president and chief marketing officer at Informatica Corporation, a leading independent provider of enterprise data integration and data quality software and services, from December 2012 to August 2015. Prior to joining Informatica, she held various positions at Hewlett-Packard Company, a leading global provider of products, technologies, software, solutions and services, from November 2010 to December 2012, most recently as senior vice president of marketing services. Ms. Brea also served as executive vice president and general manager at SAP, a market leader in enterprise application software, from January 2008 to November 2010. Ms. Brea has also served as executive vice president, general manager and chief marketing officer at Business Objects, an enterprise software company that was acquired by SAP, and as chief marketing officer and chief strategy officer at BEA Systems, Inc., a provider of enterprise application infrastructure software that was acquired by Oracle Corporation, and as senior vice president of marketing at Sun Microsystems, which was also acquired by Oracle Corporation. Since September 2016, Ms. Brea has served on the board of directors of LSC Communications, Inc., a publicly-traded communications company. She also served on the board of directors of Jive Software, Inc., a formerly publicly-traded technology company, from August 2013 to June 2017. Ms. Brea received a B.S. in Electrical Engineering from the University of Illinois and an M.B.A. from the University of Oregon. We believe that Ms. Brea is well-suited to serve on our Board of Directors due to her extensive experience in management, operations and marketing in the enterprise software sector and her substantial experience

serving as a director of publicly-traded companies.

*Stephen X. Graham (65)* has been a member of the Board of Directors of MicroStrategy since April 2014. Mr. Graham is currently president of CrossHill Financial Group, Inc., a private merchant bank and advisory firm that he founded in 1988, and has been a general partner of CrossHill Georgetown Capital, L.P. since 2000 and CrossHill Debt II, L.P. since 2004. Prior to that, Mr. Graham was a principal with Kidder, Peabody & Co. and held positions with Merrill Lynch & Co. and Arthur Young & Co. (which later became part of Ernst & Young LLP). Mr. Graham was a member of the board of directors of TNS, Inc., a former New York Stock Exchange-listed global data communications and interoperability solutions company, from 2003 until the company's acquisition by Siris Capital Group, LLC in February 2013. While a member of the board of directors of TNS, Inc., Mr. Graham served as chairman of the audit committee through 2011 and as chairman of the board of directors from 2012 to 2013. Mr. Graham also served as a member of the board of directors of Speedus Corp. from 2009 to 2011. Mr. Graham also previously served as a member of the board of directors of Credit Management Solutions, Inc., a former Nasdaq-listed credit processing software company, and several private companies. Mr. Graham received a B.S.B.A. from Georgetown University and an M.B.A. from the University of Chicago Booth School of Business. We believe that Mr. Graham is well-suited to serve on our Board of Directors due to his substantial executive experience, and his experience as an outside director and audit committee member, which provides the Board of Directors with important perspectives on financial matters.

*Jarrold M. Patten (46)* has been a member of the Board of Directors of MicroStrategy since November 2004. Mr. Patten founded RRG, a global real estate consulting and advisory firm, and has served as the firm's president and chief executive officer since its inception in 1996. RRG is an international consulting firm specializing in the development and implementation of enterprise-wide audit and cost control strategies that heighten operational controls, lower operating costs, increase transparency and extend cost accountability for RRG's geographically diverse client base. Mr. Patten received a B.S. in Biology and a B.A. in Biological Anthropology and Anatomy from the Trinity College of Arts and Sciences at Duke University. We believe that Mr. Patten is well-suited to serve on our Board of Directors due to his leadership and management expertise as a chief executive officer, his international business, finance and corporate compliance experience, and his extensive knowledge of cost and operational controls.

*Leslie J. Rechan (56)* has been a member of the Board of Directors of MicroStrategy since March 2018. Mr. Rechan has served as president and chief executive officer and a director of Solace Corp., a privately-held smart data movement solutions company, since September 2017. Prior to that, Mr. Rechan served as president and chief executive officer and a director of Halogen Software, a cloud-based talent management software provider, from May 2015 to May 2017. Previously, he served as general manager from November 2011 to April 2014 and as vice president, sales, solutions and services from February 2008 to October 2011 of IBM Business Analytics, a software group at IBM Corp. He also served as chief operating officer of Cognos Inc. from 2006 to 2008. Prior to Cognos, Mr. Rechan worked at Siebel Systems, Inc. and then Oracle Corporation upon its acquisition of Siebel Systems in 2006. From March 2006 to May 2006, Mr. Rechan served as senior vice president and global general manager, CRM strategy at Oracle. From 2004 to 2006, Mr. Rechan served as senior vice president and general manager of Americas sales of Siebel Systems and served in the same capacity for the global manufacturing and distribution industries business unit of Siebel Systems. Mr. Rechan served as senior vice president and general manager of North American worldwide field operations of Cadence Design Systems Inc. from 2003 to 2004. He served as president and chief operating officer of Onyx Software Corp. from 2001 to 2002. Prior to 2001, Mr. Rechan held several leadership positions at IBM across field sales, systems engineering, services, solutions, development, and general management in North America, Europe and Asia Pacific. Since May 2015, Mr. Rechan has served on the board of directors of PROS Holdings, Inc., a publicly-traded cloud software company. Mr. Rechan received a B.S. in Electrical Engineering and a B.A. in Organizational Behavior from Brown University and an M.A. in Management from Northwestern University. We believe that Mr. Rechan is well-suited to serve on our Board of Directors due to his expertise in corporate strategy and development in the enterprise software sector and his extensive experience in international operations, sales and services.

*Carl J. Rickertsen (58)* has been a member of the Board of Directors of MicroStrategy since October 2002. Mr. Rickertsen is currently managing partner of Pine Creek Partners, a private equity investment firm, a position



he has held since January 2004. From January 1998 to January 2004, Mr. Rickertsen was chief operating officer and a partner at Thayer Capital Partners, a private equity investment firm. From September 1994 to January 1998, Mr. Rickertsen was a managing partner at Thayer. Mr. Rickertsen was a founding partner of three Thayer investment funds totaling over \$1.4 billion and is a published author. Mr. Rickertsen serves as a member of the boards of directors and audit committees of Apollo Senior Floating Rate Fund Inc. and Apollo Tactical Income Fund Inc., each of which is a closed-end management investment company, and Berry Plastics Group, Inc., a global manufacturer and marketer of value-added plastic consumer packaging and engineered materials. From April 2012 to October 2016, Mr. Rickertsen was a member of the board of directors of Noranda Aluminum Holding Corporation, an integrated producer of value-added primary aluminum products and rolled aluminum coils. From April 2003 to January 2010, Mr. Rickertsen was a member of the board of directors and audit committee of Convera Corporation, a publicly-traded search-engine software company. From September 2004 to September 2008, Mr. Rickertsen was a member of the board of directors of UAP Holding Corp., a distributor of farm and agricultural products. Mr. Rickertsen received a B.S. from Stanford University and an M.B.A. from Harvard Business School. We believe that Mr. Rickertsen is well-suited to serve on our Board of Directors due to his finance and capital markets experience across various industries, and his experience as an outside director of several public companies, which provides the Board of Directors with important perspectives on corporate governance matters.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES NAMED HEREIN FOR ELECTION AS DIRECTOR.**

## **CORPORATE GOVERNANCE AND**

### **THE BOARD OF DIRECTORS AND ITS COMMITTEES**

#### **Related Person Transaction Policy and Related Person Transactions**

We have adopted a formal written policy and procedure for the review, approval and ratification of related person transactions, as defined under the rules and regulations promulgated by the Securities Exchange Act of 1934, as amended (the Exchange Act ). The policy covers any transaction in which we were or are to be a participant and the amount involved exceeds \$120,000, and in which any related person had or will have a direct or indirect material interest. For purposes of the policy, a related person is defined to be any of the following: (i) a director, director nominee or executive officer of the Company since the beginning of the Company's last fiscal year; (ii) a beneficial owner of more than 5% of any class of the Company's voting securities; (iii) a member of a foregoing person's immediate family; and (iv) any entity in which one or more of the foregoing persons, individually or in the aggregate, has or had a greater than 10% ownership interest. The policy generally requires any proposed related person transaction to be reported to our General Counsel, and reviewed and approved by the Audit Committee of the Board of Directors of the Company (the Audit Committee ) prior to effectiveness or consummation of the transaction, whenever practical. If the General Counsel determines that advance approval of a related person transaction is not practical under the circumstances, the Audit Committee must review the transaction and, in its discretion, may ratify the related person transaction at its next meeting. For transactions arising between meetings of the Audit Committee, the Chair of the Audit Committee can approve the transaction, subject to ratification by the Audit Committee at its next meeting. If the General Counsel first learns of a related person transaction after such transaction has already taken place, the Audit Committee must review the transaction and, in its discretion, may ratify the related person transaction at its next meeting. Related person transactions involving compensation of executive officers must be reviewed and approved in accordance with the Company's then-existing executive compensation policies or procedures as approved by the Board of Directors or an independent committee thereof.

The Audit Committee may approve or ratify a related person transaction only if the Audit Committee determines that, under the circumstances, the transaction is in our best interests. The Audit Committee may impose conditions on the related person transaction as it deems appropriate. In making such determination, the Audit Committee reviews and considers the following, among other factors:

the related person's interest in the related person transaction;

the approximate dollar value of the amount involved in the related person transaction;

the approximate dollar value of the amount of the related person's interest in the transaction without regard to the amount of any profit or loss;

whether the transaction was undertaken in the ordinary course of business;

whether the transaction with the related person is proposed to be, or was, entered into on terms no less favorable to us than terms that could have been reached with an unrelated third party;

the purpose of, and the potential benefits to us of, the transaction; and

any other information regarding the related person transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

Any related person transaction previously approved by the Audit Committee or otherwise already existing that is ongoing in nature is reviewed by the Audit Committee annually.

In addition to the procedures set forth in the policy, we have multiple processes for reporting conflicts of interest, including related person transactions, to the Audit Committee. Under our Code of Conduct, all employees are required to report any transaction, relationship or other circumstance that constitutes a conflict of

interest for such employee to the General Counsel or to the Audit Committee, as appropriate. We also annually distribute questionnaires to our executive officers and members of the Board of Directors requesting certain information regarding, among other things, their immediate family members, employment and beneficial ownership interests, which information is then reviewed for any conflict of interest under the Code of Conduct and for any related person transaction under the policy.

Except as may be the case with respect to the matters discussed in the immediately following section, and as may otherwise be disclosed in Executive and Director Compensation Executive Officer Compensation or Executive and Director Compensation Director Compensation, there have been no related person transactions required to be reported pursuant to rules or regulations promulgated by the Exchange Act since the beginning of 2017.

#### ***Former Executive Officer Compensation Arrangement***

As discussed further in Executive and Director Compensation Compensation Discussion and Analysis, consistent with the Nasdaq Stock Market, Inc. ( Nasdaq ) Marketplace Rules applicable to controlled companies, certain compensation arrangements for executive officers are determined by the CEO, not the Compensation Committee of the Board of Directors of the Company (the Compensation Committee ). Consequently, the compensation and other related amounts paid by MicroStrategy to our former Senior Executive Vice President, Worldwide Services, Michael S. Tae, in 2017 prior to his departure from the Company constituted related person transactions for reporting purposes under the Exchange Act. For the year ended December 31, 2017, the Company paid Mr. Tae \$66,342 in base salary, accrued vacation pay and matching payments under the Company's 401(k) plan, and \$150,000 in connection with his departure from the Company.

#### **Board of Directors**

Our Board of Directors is currently comprised of Messrs. Saylor, Epstein, Graham, Patten, Rechan and Rickertsen and Ms. Brea. Ms. Brea and Mr. Rechan joined our Board of Directors in March 2018. During 2017, the Board of Directors met four times and acted by unanimous written consent three times. During 2017, all then-current Board members attended all the meetings of the Board of Directors and all meetings of the committees of the Board on which they served at the time of such meetings. The Board of Directors has determined that each of the Company's non-employee directors is an independent director as defined in Rule 5605(a)(2) of the Nasdaq Marketplace Rules. Mr. Saylor is not an independent director under Rule 5605(a)(2) because he is our President & Chief Executive Officer. Independent directors collectively constituted during 2017, currently constitute and following the Annual Meeting will constitute a majority of the Board of Directors.

The independent members of the Board of Directors regularly meet in executive sessions without any employee directors or other members of management in attendance.

#### **Controlled Company**

We are a controlled company as defined in Rule 5615(c)(1) of the Nasdaq Marketplace Rules because more than 50% of the voting power of the Company is controlled by our Chairman, President & Chief Executive Officer, Michael J. Saylor.

Because we qualify as a controlled company, we are not required to have a majority of our Board of Directors be comprised of independent directors. Additionally, our Board of Directors is not required to have an independent compensation or nominating committee, or to have the independent directors exercise the nominating function. We are also not required to have the compensation of our executive officers be determined by a compensation committee of independent directors or a majority of the independent members of our Board of Directors. In addition, we are not required to empower our Compensation Committee with the authority to



engage the services of any compensation consultants, legal counsel or other advisors, or to have the Compensation Committee assess the independence of compensation consultants, legal counsel or other advisors that it engages.

In light of our status as a controlled company, our Board of Directors has determined not to establish an independent nominating committee or have its independent directors exercise the nominating function, and has elected instead to have the Board of Directors be directly responsible for nominating members of the Board of Directors. As mentioned above, the majority of our Board of Directors is currently comprised of independent directors and our Board of Directors has established a Compensation Committee comprised entirely of independent directors. For more information regarding how we determine our executive compensation in light of our status as a controlled company, please see *Executive and Director Compensation Compensation Discussion and Analysis* below.

### **Audit Committee**

The Board of Directors has established a standing Audit Committee in accordance with Section 3(a)(58)(A) of the Exchange Act and adopted the Tenth Amended and Restated Charter for the Audit Committee, which is publicly available on the Corporate Governance section of our website, <http://ir.microstrategy.com/corporate-governance.cfm>. The Audit Committee reviews our accounting and financial reporting processes, the internal and external audits of our financial statements and the effectiveness of our controls over financial reporting, provides the opportunity for direct contact between our independent registered public accounting firm and the Board of Directors, and provides information about significant financial matters to the Board of Directors.

The Audit Committee is currently comprised of Messrs. Graham (Chairman), Patten and Rickertsen. During 2017, the Audit Committee met five times and acted by unanimous written consent two times. All members attended all the meetings of the Audit Committee.

The Board of Directors has determined that each member of the Audit Committee meets the Nasdaq Marketplace Rules definition of an independent director for audit committee purposes, as well as the independence requirements of Rule 10A-3 under the Exchange Act. The Board of Directors has designated Mr. Graham as an audit committee financial expert, as defined in Item 407(d)(5)(ii) of Regulation S-K. Additional information regarding the Audit Committee and its functions and responsibilities is included in this proxy statement under the caption *Audit Committee Report*.

### **Compensation Committee**

The Board of Directors has established a standing Compensation Committee and adopted the Third Amended and Restated Charter for the Compensation Committee, which is publicly available on the Corporate Governance section of our website, <http://ir.microstrategy.com/corporate-governance.cfm>. The Compensation Committee determines the compensation arrangements of our President & Chief Executive Officer, awards under the MicroStrategy 2013 Stock Incentive Plan (as amended, the *2013 Equity Plan*), and arrangements relating to certain perquisites and personal benefits provided to our executive officers, and performs other functions related to compensation matters. The Compensation Committee has historically determined compensation arrangements that we have sought to qualify as performance-based compensation under Section 162(m) ( *Section 162(m)* ) of the Internal Revenue Code of 1986, as amended (the *Code* ) as in effect prior to the 2017 Tax Cuts and Jobs Act (the *Tax Act* ) and will continue to do so to the extent necessary to comply with transition rules related to the implementation of the Tax Act.

The Compensation Committee is currently comprised of Messrs. Rickertsen (Chairman), Epstein and Patten. During 2017, the Compensation Committee met one time and acted by unanimous written consent four times. All members attended all the meetings of the Compensation Committee.



The Board of Directors has determined that each member of the Compensation Committee meets the Nasdaq Marketplace Rules' definition of an independent director for compensation committee purposes, as well as the independence requirements of Rule 10C-1 under the Exchange Act. Each member of the Compensation Committee is also a non-employee director, as defined in Rule 16b-3 under the Exchange Act, and qualified as an outside director under Section 162(m) as in effect prior to the Tax Act. Additional information regarding the Compensation Committee and its functions and responsibilities is included in this proxy statement under the captions 'Executive and Director Compensation', 'Compensation Discussion and Analysis', and 'Executive and Director Compensation - Compensation Committee Report'.

### **Board Leadership Structure**

Mr. Saylor, our President & Chief Executive Officer, is also the Chairman of the Board of Directors. Our Board of Directors has determined that having the same individual hold both positions is appropriate for a controlled company, in the best interests of MicroStrategy and our stockholders, and consistent with good corporate governance for the following reasons:

Our CEO is more familiar with our business and strategy than an independent, non-employee Chairman would be, and is thus better positioned to focus our Board of Directors' agenda on the key issues facing our Company.

A single Chairman and CEO provides strong and consistent leadership for the Company without risking overlap or conflict of roles.

Oversight of our Company is the responsibility of our Board of Directors as a whole and this responsibility can be properly discharged without an independent Chairman.

We do not have a lead independent director or a presiding director. However, the independent directors regularly meet in executive sessions of the Board of Directors. In light of our status as a controlled company, we believe that the structure of our Board of Directors provides an appropriate balance of management leadership and non-management oversight.

### **Oversight of Risk**

Our Board of Directors oversees our risk management processes directly and through its committees. Our management is responsible for risk management on a day-to-day basis. The role of our Board of Directors and its committees is to oversee the risk management activities of management. They fulfill this duty by discussing with management the policies and practices utilized by management in assessing and managing risks, and providing input on those policies and practices. In general, our Board of Directors oversees risk management activities relating to business strategy, capital allocation, organizational structure and certain operational risks. Our Audit Committee oversees risk management activities relating to financial controls and legal and compliance risks, and our Compensation Committee oversees risk management activities relating to the Company's compensation policies and practices. In addition, since risk issues often overlap, committees from time to time can request that the full Board of Directors discuss particular risk issues.

### **Director Candidates**

As noted above, we do not have a standing nominating committee, and the functions of evaluating and selecting directors are performed by the Board of Directors as a whole. The Board of Directors will, from time to time, evaluate biographical information and background materials relating to potential candidates, and interview selected candidates. The Board of Directors does not currently have a charter or written policy with respect to the nomination process. The Board of Directors engaged an executive search firm in connection with the identification and evaluation of Ms. Brea and Mr. Rehan as directors. The search firm evaluated and provided information to the Board of Directors concerning prospective candidates, which the Board of Directors took into

consideration in determining to elect Ms. Brea and Mr. Rehan as directors. We paid the search firm a customary fee in connection with the services provided by them. We have not otherwise engaged a third party to assist us in identifying and evaluating the individuals nominated for election as directors at the Annual Meeting.

In considering whether to nominate any particular candidate for election to the Board of Directors, the Board of Directors uses various criteria to evaluate each candidate, including each candidate's integrity, business acumen, knowledge of our business and industry, experience, diligence, conflicts of interest and ability to act in the interests of our stockholders. The Board of Directors also considers whether a potential nominee would satisfy the Nasdaq Marketplace Rules' definition of an independent director and the SEC's definition of an audit committee financial expert. The Board of Directors does not set specific minimum qualifications or assign specific weights to particular criteria, and no particular criterion is a prerequisite for a prospective nominee. Our Board of Directors does not have a formal policy with respect to diversity, but we believe that the backgrounds and qualifications of our directors, considered as a group, should reflect a diverse set of experiences, knowledge and abilities that will allow the Board of Directors to fulfill its responsibilities. The Board of Directors considers such diversity when evaluating prospective nominees.

Due to our status as a controlled company under Nasdaq Marketplace Rules, we do not have a formal policy with respect to the consideration of director candidates recommended by our stockholders. Stockholder recommendations relating to director nominees or other proposals may be submitted in accordance with the procedures set forth below under the caption "Other Matters" Stockholder Proposals. Any stockholder nominations proposed for consideration should include the nominee's name and qualifications. Such nominations will be evaluated in the same manner as nominations by members of the Board of Directors, management or other parties. Stockholders may also send communications to the Board of Directors in accordance with the procedures set forth below under the caption "Corporate Governance and the Board of Directors and its Committees" Communicating with the Board of Directors.

### **Directors Attendance at Annual Meeting of Stockholders**

Although we do not have a policy with respect to directors' attendance at our Annual Meeting, all directors are encouraged to attend the Annual Meeting. Four of the five members of the Board of Directors who served in 2017 attended the 2017 Annual Meeting of Stockholders.

### **Communicating with the Board of Directors**

Stockholders who wish to send communications to the Board of Directors may do so by writing to the Secretary of MicroStrategy, c/o MicroStrategy Incorporated, 1850 Towers Crescent Plaza, Tysons Corner, Virginia 22182. The mailing envelope must clearly indicate that the enclosed letter is a "Stockholder-Board Communication." All such letters must identify the author as a stockholder and include the stockholder's full name, address and a telephone number. If the letter is intended for a specific Board member, the name of such Board member should be noted in the communication. The Secretary will forward any such correspondence to the intended recipient. However, prior to doing so, the Secretary or his designee will review such correspondence, and in his or her discretion, may not forward communications that relate to ordinary business affairs, communications that are primarily commercial in nature or personal grievances, or communications that relate to an improper or irrelevant topic or are otherwise inappropriate for the Board of Directors' consideration.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors, officers and holders of more than 10% of our class A common stock to file reports of their ownership and changes in ownership of our class A common stock with the SEC. Based solely on our review of the reports filed during 2017 and written representations from our directors and officers that no other reports were required, all Section 16(a) filing requirements were satisfied with respect to 2017.



## **Code of Ethics**

The Board of Directors, through its Audit Committee, has adopted a Code of Ethics that applies to MicroStrategy's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and such other personnel of MicroStrategy or its majority-owned subsidiaries as may be designated from time to time by the Chairman of the Audit Committee. The Code of Ethics, as amended, is publicly available on the Corporate Governance section of our website, <http://ir.microstrategy.com/corporate-governance.cfm>. We intend to disclose any amendments to the Code of Ethics or any waiver from a provision of the Code of Ethics on the Corporate Governance section of our website, <http://ir.microstrategy.com/corporate-governance.cfm>.

## **EXECUTIVE AND DIRECTOR COMPENSATION**

### **Compensation Discussion and Analysis**

#### **Overview**

This section explains our executive compensation philosophy and objectives, how our objectives are implemented, the elements of our executive compensation program, and the decisions made with respect to 2017 regarding the compensation of each of our executive officers who served in 2017. We refer to the following six individuals in our Compensation Discussion and Analysis as our executive officers :

Michael J. Saylor, our Chairman, President & Chief Executive Officer;

Phong Q. Le, our Senior Executive Vice President & Chief Financial Officer;

Stephen H. Holdridge, our Senior Executive Vice President, Worldwide Services;

Timothy E. Lang, our Senior Executive Vice President & Chief Technology Officer;

David J. Rennyson, our former Senior Executive Vice President, Worldwide Sales; and

W. Ming Shao, our Senior Executive Vice President & General Counsel.

All of these individuals, except W. Ming Shao, constitute our named executive officers for 2017 (as defined in Item 402(a)(3) of Regulation S-K). On April 3, 2018, Mr. Rennyson resigned from his position as the Company's Senior Executive Vice President, Worldwide Sales.

#### **General Philosophy and Compensation Objectives: Performance, Alignment and Retention**

The goal of our compensation program for our executive officers is the same as our goal for operating the Company to create long-term value for our stockholders. In furtherance of this goal, our executive compensation program is designed to reward, motivate and provide incentives for exceptional individual performance and effective leadership by our executive officers, to reward executive officers for superior financial and operating results of the Company, and to align our executive officers' interests with those of our stockholders. It is also designed to attract and retain executive officers, who may be presented with other professional opportunities, including ones at potentially higher compensation levels, by providing an overall compensation package that is market competitive over time and provides significant long-term incentives through the grant of stock option awards. These objectives serve as the basis for determining the overall compensation of each executive officer, all in the context of general economic and industry conditions and Company performance.

Key elements of our executive compensation program for 2017 that were designed to achieve these objectives included:

a base salary for each of our executive officers, other than Mr. Saylor, designed to help retain them and reward them for overall performance (and in the case of Mr. Holdridge, to help attract him to the Company);

a discretionary annual cash bonus target for each of Messrs. Le, Holdridge, Lang and Shao designed to help retain, reward and motivate them (and in the case of Mr. Holdridge, to help attract him to the Company) based on a subjective evaluation of their achievement of strategic and financial goals in their areas of responsibility that support our goal of enhancing stockholder value;

a cash bonus plan for Mr. Rennyson designed to help retain, reward and motivate him to achieve superior performance in his area of responsibility, as measured by (i) the sales department's contribution margin, consisting of amounts payable under certain contracts executed in 2017 during the 12 months following contract execution, less specified costs, and (ii) the annualized value of certain types of contracts over a specified threshold;

long-term incentives in the form of a stock option award granted to each of Messrs. Le, Holdridge, Lang and Rennyson under the 2013 Equity Plan, designed to provide them with long-term performance-based incentives that are intended to further align their interests with those of our stockholders; and

a one-time reporting bonus arrangement for Mr. Holdridge in connection with the commencement of his employment with the Company.

We also provided each of our executive officers with certain perquisites and other benefits in 2017 that the Compensation Committee or CEO, as applicable, believes are reasonable and consistent with the objectives of our executive compensation program. Perquisites comprised a significant portion of Mr. Saylor's 2017 compensation, principally as a result of security and transportation-related benefits and associated tax gross-up payments that are discussed below.

In determining executive officer compensation for 2017, the Compensation Committee and CEO considered the stockholder support that the say-on-pay proposals received at our April 23, 2014 and May 31, 2017 Annual Meetings of Stockholders. Based on such considerations, for 2017 the Compensation Committee and CEO determined not to make significant changes to our compensation mix and other compensation policies from the previous year. We believe that our compensation program is effectively designed to implement our objectives and is aligned with the interests of our stockholders.

## **Implementing Our Objectives**

### ***Role of the Compensation Committee and CEO***

The Compensation Committee has the authority and responsibility to develop, adopt and implement compensation arrangements for the CEO. The Board of Directors has delegated to the CEO the authority and responsibility to develop, adopt and implement compensation arrangements for all executive officers other than himself. The CEO makes compensation determinations regarding other executive officers in periodic consultation with the Compensation Committee, consistent with the Nasdaq Marketplace Rules applicable to controlled companies. However, the Compensation Committee determines awards under the 2013 Equity Plan and arrangements relating to certain perquisites and personal benefits provided to our executive officers. The Compensation Committee has historically determined certain other compensation arrangements (such as the cash bonus plan established for Mr. Rennyson for 2017) that we have sought to qualify as performance-based compensation under Section 162(m) as in effect prior to the Tax Act. Neither the Company nor the Compensation Committee engaged a third-party compensation consultant to help determine or provide input regarding the determination of the 2017 compensation for the CEO or other executive officers.

### ***Determining Compensation***

Our executive compensation decisions are primarily based on a review of our performance and a subjective assessment of the executive officer's performance during the year against financial and strategic goals. The Compensation Committee or the CEO, as applicable, also takes into account the scope of the executive officer's responsibilities, his unique leadership skills and management experience, his strengths and abilities in his respective area of responsibility, his employment and compensation history with us, overall compensation arrangements and long-term potential to enhance stockholder value, all in the context of general economic and industry conditions and Company performance. Specific factors that may affect executive compensation decisions include:

key financial metrics, such as revenues, bookings, cost of revenues, operating expenses, operating income, operating margins and earnings per share; and

strategic and operational objectives such as technological innovation, product release execution, sales, marketing and services execution, financial and talent management initiatives, contracts and risk management and operational excellence.

The Compensation Committee or the CEO, as applicable, subjectively combines the compensation elements for each executive officer in a manner that the Compensation Committee or the CEO believes is consistent with the executive officer's role and contributions to the Company. The Compensation Committee and CEO incorporate flexibility into our compensation program and the assessment process to respond to and adjust for an evolving and dynamic business environment. We believe that our executive compensation program promotes long-term value to stockholders by retaining key executive officers and rewarding them, as applicable, for increases in the market price of our class A common stock, and for financial and operational results that are expected to contribute to long-term stockholder value.

The Compensation Committee and CEO generally establish performance-based cash bonus arrangements and make determinations regarding adjustments to base salary and cash bonus targets for our executive officers in the first quarter of each year. Determinations regarding the actual payment of bonuses are generally made in the first quarter following the applicable performance period.

The Compensation Committee and CEO did not conduct benchmarking in establishing compensation arrangements for any of the executive officers, but instead established compensation based on their respective subjective determinations of the factors discussed above. The Compensation Committee also considered recommendations from the CEO in establishing compensation arrangements. The Compensation Committee and CEO did not assign relative weights to Company and individual performance in establishing these compensation arrangements, but instead made respective subjective determinations after considering such performances collectively.

#### ***Employment and Severance Agreements***

As a general matter, our executive officers do not have standing employment, severance or change-of-control agreements. Our CEO serves at the will of the Board of Directors and the other executive officers serve at the will of the Board of Directors and the CEO. This approach is consistent with our employment and compensation philosophy that relies significantly upon providing incentives based on performance and aligning the interests of executive officers with those of our stockholders.

#### ***Equity Ownership Guidelines***

As of April 5, 2018, Mr. Saylor beneficially owned 400,000 shares of class A common stock (in the form of an option to purchase 400,000 shares of class A common stock, of which 100,000 shares vested as of April 30, 2015, an additional 100,000 shares vested as of April 30, 2016, an additional 100,000 shares vested as of April 30, 2017 and an additional 100,000 shares are scheduled to vest within 60 days of April 5, 2018) and 2,011,668 shares of class B common stock, collectively representing 68.0% of the total voting power and 20.4% of the total equity interest in the Company. Given the significant equity stake already held by Mr. Saylor, we do not believe that any equity ownership guidelines would be meaningful. The Company does not maintain policies regarding hedging the economic risk of security ownership.

#### ***Deductibility of Executive Compensation***

Section 162(m) generally disallows a tax deduction to a public company for compensation over \$1 million paid to its chief executive officer and its other officers (other than the chief financial officer for fiscal years beginning on or prior to December 31, 2016) whose compensation is required to be disclosed to the company's stockholders under the Exchange Act for being among the most highly compensated officers. Pursuant to the Tax Act, for fiscal years beginning on or after January 1, 2017, the compensation of a public company's chief financial officer is also subject to the deduction limitation. Prior to 2018, qualified performance-based compensation was not subject to the deduction limit if certain requirements were met. Pursuant to the Tax Act, subject to certain transition rules, for fiscal years beginning after December 31, 2017, the performance-based compensation exception to the deduction limitation under Section 162(m) will no longer be available. As a result,



beginning in 2018, compensation over \$1 million paid to an executive officer is expected to be nondeductible, unless paid pursuant to a grandfathered arrangement under the Tax Act's transition rules.

The Compensation Committee and CEO take into account, to the extent they believe appropriate, the limitations on the deductibility of executive compensation imposed by Section 162(m) in determining compensation levels and practices applicable to our executive officers. The Compensation Committee and CEO believe that there may be circumstances in which our interests are best served by maintaining flexibility in the way compensation is provided, whether or not compensation is fully deductible under Section 162(m).

### **Elements Used to Achieve 2017 Compensation Objectives**

The principal elements of our 2017 compensation program for Mr. Saylor were a stock option award under the 2013 Equity Plan granted in 2014 and perquisites consisting principally of security and transportation-related benefits and associated tax gross-up payments. The principal elements of our 2017 compensation program for each of Messrs. Le and Lang were a base salary, a discretionary annual cash bonus target, and stock option awards under the 2013 Equity Plan granted in 2015 and 2017. The principal elements of our 2017 compensation program for Mr. Holdridge were a base salary, a discretionary annual cash bonus target, a stock option award under the 2013 Equity Plan granted in 2017, and a one-time reporting bonus in connection with the commencement of his employment with the Company, as further described below. The principal elements of our 2017 compensation program for Mr. Rennyson were a base salary, a cash bonus plan, and stock option awards under the 2013 Equity Plan granted in 2015 and 2017. The principal elements of our 2017 compensation program for Mr. Shao were a base salary, a discretionary annual cash bonus target, and stock option awards under the 2013 Equity Plan granted in 2014 and 2015. We also provided each of our executive officers with certain perquisites and other benefits in 2017 that the Compensation Committee or CEO, as applicable, believes are reasonable and consistent with the objectives of our executive compensation program. Each of these compensation elements satisfies one or more of our performance, alignment and retention objectives, as described more fully below.

#### ***Base Salary***

We provide cash compensation in the form of base salary to help (i) attract and retain talented executive officers and (ii) reward overall performance by our executive officers. For 2017, a competitive base salary was an important component of compensation as it provided a degree of financial stability for each of our executive officers other than Mr. Saylor.

In September 2014, at Mr. Saylor's request, the Compensation Committee reduced Mr. Saylor's annual base salary to \$1. The Compensation Committee considered that following the reduction in Mr. Saylor's salary and elimination of his incentive cash bonus arrangement, a larger percentage of Mr. Saylor's compensation would be directly tied to the Company's stock performance, which is consistent with the Company's compensation policies approved by stockholders at our 2014 annual meeting, and that such change would not adversely impact his financial stability. The Compensation Committee considered Mr. Saylor's compensation arrangements in March 2015, 2016 and 2017 and February 2018, and, in each case at Mr. Saylor's request, left his annual base salary at \$1.

In March 2017, the CEO adjusted the base salaries for Messrs. Le, Lang, Rennyson and Shao, effective April 1, 2017, as indicated in the table below. In March 2018, the CEO adjusted the base salaries again for Messrs. Le, Lang and Shao, effective April 1, 2018, as indicated in the table below. When Mr. Holdridge joined the Company in November 2017, the CEO established Mr. Holdridge's annual base salary at \$450,000 for the balance of 2017, and determined to leave his base salary unchanged for 2018 after taking into consideration the factors described below.



	Base Salary as of January 1, 2017 (\$)	Base Salary as of April 1, 2017 (\$)	Base Salary as of April 1, 2018 (\$)
Phong Q. Le	500,000	600,000	650,000
Timothy E. Lang	400,000	450,000	475,000
David J. Rennyson	450,000	475,000	475,000
W. Ming Shao	470,000	490,000	510,000

In making these determinations, the CEO did not assign relative weights to Company and individual performance, but instead made subjective determinations that the amounts of base salary were appropriate, and in so doing considered the following general factors:

each executive officer's individual performance, as measured against various strategic, operational and financial objectives in such executive officer's area of responsibility such as operational excellence, revenue growth and operating margin, as well as (i) financial and talent management initiatives for Mr. Le, (ii) services initiatives for Mr. Holdridge, (iii) technological innovation and product release execution for Mr. Lang, (iv) sales execution for Mr. Rennyson, and (v) contracts and risk management for Mr. Shao;

job responsibilities of each executive officer as we implement new product initiatives, focus on revenue growth and operating margin, and adjust our strategic plan for an evolving business environment;

each executive officer's strengths and abilities in his respective field, his leadership skills, his management experience, his employment and compensation history, his overall compensation arrangements, and his long-term potential to enhance stockholder value;

the competitive market for talented managers with comparable experience and expertise; and

Company performance over the prior several quarters and motivation to grow the business in the future, as well as general economic and industry conditions.

Each position is unique, not only in function, but also in terms of the market norms for compensation and the pool of potential executives who may be available to fill that particular role. Given these unique conditions, determinations regarding base salaries are unique to each executive officer and do not necessarily reflect any comparative judgments.

### ***Cash Bonuses***

Our cash bonus compensation is designed to help (i) attract and retain talented executive officers, (ii) reward achievement of strategic and financial goals that support our goal of enhancing stockholder value and (iii) motivate executive officers to achieve superior performance in their areas of responsibility. Together with our stock option awards, our cash bonus compensation program is one of the main vehicles for providing performance-based compensation to executive officers. The Compensation Committee and CEO consider various factors in determining the form and structure of the cash bonus arrangement that is most appropriate for attracting, retaining, rewarding and motivating the individual executive officer.

### ***No Saylor Cash Bonus***

In September 2014, at Mr. Saylor's request, the Compensation Committee eliminated Mr. Saylor's incentive cash bonus arrangement. The Compensation Committee considered that following the reduction in Mr. Saylor's salary and elimination of his incentive cash bonus arrangement, a larger percentage of Mr. Saylor's compensation would be directly tied to the Company's stock performance, which is consistent with the Company's compensation policies approved by stockholders at our 2014 annual meeting, and that such change would not adversely impact his financial stability. The Compensation Committee considered Mr. Saylor's

compensation arrangements in March 2015, 2016 and 2017 and February 2018, and, in each case at Mr. Saylor's request, did not establish a cash bonus arrangement for him with respect to 2015, 2016, 2017 or 2018.

#### *Discretionary Annual Cash Bonuses*

The compensation of Messrs. Le, Holdridge, Lang and Shao with respect to 2017 included discretionary annual cash bonus targets that were established based on the CEO's subjective evaluation of the appropriate targets to help retain, reward and motivate the applicable executive officer (and in the case of Mr. Holdridge, to help attract him to the Company). In making this determination, the CEO takes into account the same factors described above with respect to base salary determinations. In setting target bonus amounts, the CEO also considers his expectations for the business department headed by each executive officer and the executive officers' potential for achieving the expectations. The CEO believed that a discretionary annual cash bonus arrangement was an appropriate mechanism for retaining, rewarding and motivating Messrs. Le, Holdridge, Lang and Shao with respect to 2017 (and in the case of Mr. Holdridge, attracting him to the Company) because each of these executive officers was responsible for, among other things, strategic and operational objectives, such as operational excellence, as well as (i) financial and talent management initiatives with respect to Mr. Le, (ii) services initiatives with respect to Mr. Holdridge, (iii) technological innovation and product release execution with respect to Mr. Lang, and (iv) contracts and risk management with respect to Mr. Shao, that cannot always be measured by traditional financial metrics.

The CEO adjusted Messrs. Le and Lang's discretionary bonus targets in March 2017, after taking into account the factors described above. The CEO determined to leave Mr. Shao's discretionary bonus target unchanged for 2017, after taking into account the factors described above. The CEO established Mr. Holdridge's discretionary bonus target in November 2017, when Mr. Holdridge joined the Company.

In determining the bonus awards for 2017, the CEO subjectively determined each executive officer's overall performance and achievement of various strategic, operational and financial objectives, in relation to the target bonus amount that was previously established for him, all in the context of general economic and industry conditions and Company performance. For example, the CEO considered that in 2017 our operating margins remained healthy and he subjectively determined that we enhanced our operational excellence. In addition, the CEO subjectively determined (i) with respect to the bonus award for Mr. Le, that the Company had made continued progress with respect to financial and talent management initiatives, (ii) with respect to the bonus award for Mr. Holdridge, that the Company had made progress with respect to services initiatives, (iii) with respect to the bonus award for Mr. Lang, that the Company had made continued progress with respect to technological innovation and product release execution related to MicroStrategy 10, and (iv) with respect to the bonus award for Mr. Shao, that the Company had made continued progress with respect to contracts and risk management. None of these achievements were assigned any specific weighting or dollar amount of the total bonus.

The CEO calculated individual bonus payouts to each of Messrs. Le, Holdridge, Lang and Shao utilizing the formula below. In the case of Mr. Holdridge, his bonus payout calculation was pro-rated to reflect the time he was employed by the Company in 2017.

Individual Annual Cash Bonus Target for 2017 (\$)	X	Individual Achievement Percentage (%)	X	Company Performance Percentage (%)	=	Individual Bonus Payout (\$)
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**Individual Achievement Percentage.** The individual achievement percentage is based on the CEO's subjective assessment of each executive officer's overall performance and achievement of objectives for 2017. A higher

performance assessment drives a higher individual percentage (and vice-versa) such that it is possible for an executive officer who exceeds performance expectations to receive an individual achievement percentage

above 100%, and for an executive officer with a low performance assessment to receive less than his bonus target or no bonus. The performance assessments were based on an overall subjective assessment of each executive officer's performance and no single factor was determinative in the individual achievement percentage, nor was the impact of any individual factor on the individual achievement percentage quantifiable.

**Company Performance Percentage.** The company performance percentage is based on the CEO's subjective assessment of the Company's overall business and product development achievements and financial performance. The CEO did not determine any pre-set range for the company performance percentage, and approved a company performance percentage of 90% for 2017, which was equivalent to the average company performance percentage used in determining bonuses for all Company employees on a discretionary bonus plan.

In January 2018, the CEO determined the cash bonus awards to Messrs. Le, Holdridge, Lang and Shao with respect to performance in 2017 using the following calculations:

	<b>Individual Annual Cash Bonus Target for 2017</b>	<b>Individual Achievement Percentage</b>	<b>Company Performance Percentage</b>	<b>Individual Bonus Payout</b>
	<b>(\$)</b>	<b>(%)(1)</b>	<b>(%)</b>	<b>(\$)</b>
Phong Q. Le	500,000	133	90	600,000
Stephen H. Holdridge	450,000(2)	111	90	69,041(2)
Timothy E. Lang	450,000	123	90	500,000
W. Ming Shao	420,000	111	90	420,000

(1) Rounded to the nearest whole number.

(2) Pro-rated to reflect that Mr. Holdridge was employed by the Company for 56 days out of the 365 days in 2017.

In March 2018, the CEO determined to leave the discretionary bonus targets for Messrs. Le, Lang and Shao unchanged for 2018, after taking into account the factors described above. With respect to Mr. Holdridge, in February 2018, the Compensation Committee, based on recommendations from the CEO, established a performance-based cash bonus plan for him for 2018, as further described below.

*Cash Bonus Plan for the Former Senior Executive Vice President, Worldwide Sales*

In March 2017, the Compensation Committee, based on recommendations from the CEO, established a performance-based cash bonus plan for Mr. Rennyson with respect to his performance for 2017. Since Mr. Rennyson had the responsibility for managing the Company's worldwide sales organization, the Compensation Committee believed that basing Mr. Rennyson's cash bonus plan on his department's contribution margin (as described below) and the annualized value of certain types of contracts would provide the appropriate reward and incentive for his efforts to strengthen sales execution and operating margin growth. The Compensation Committee believed that establishing contribution margin and the value of contracts as performance metrics would help to align Mr. Rennyson's interests with those of our stockholders because increases in these metrics directly increase the overall value of the Company to stockholders.

Under the formula established by the Compensation Committee, the amount of the bonus opportunity for Mr. Rennyson was equal to the sum of:

the product of (i) 1.0% multiplied by (ii) the contribution margin, which consists of (a) the amounts payable under contracts executed in 2017 during the 12 months following contract execution attributable to license, first year maintenance, premium support, incremental term license, incremental cloud license, education services, and 50% of expert services, in each case to the extent relating to transactions sold by the sales department, minus (b) the expenses accrued for 2017 of the sales and marketing departments for salary, benefits, variable compensation, travel and entertainment, and

purchase orders plus expenses accrued for 2017 for other costs of sales and marketing that originated from non-sales and non-marketing departments that are cross charged to the sales and marketing departments (the Contribution Margin Bonus ); and

the product of (i) 1.5% multiplied by (ii) the annualized value of renewal contracts, which consists of (a) the annualized value of the total amounts owed under agreements executed in 2017 for maintenance, premium support, term license, and cloud, minus (b) a budgeted amount of \$317,637,000 (the Annuity Bonus ). The cash bonus amount that Mr. Rennyson was eligible to receive with respect to 2017, calculated pursuant to this bonus formula, was \$0. In January 2018, the Compensation Committee considered Mr. Rennyson s eligible bonus amount and his overall compensation arrangements and determined not to award a cash bonus to him with respect to his performance in 2017.

The following tables set forth the calculations of Mr. Rennyson s Contribution Margin Bonus and Annuity Bonus for 2017:

Contribution Margin Rate		Amounts Payable Under Contracts	Accrued Expenses		Contribution Margin Bonus
1.0%	x	(\$ 127,949,989	\$ 136,658,174)	=	\$0

Annuity Rate		Annualized Value of 2017 Renewal Contracts	Budget Amount		Annuity Bonus
1.5%	x	(\$ 312,886,371	\$ 317,637,000)	=	\$0

*Cash Bonus Arrangements for the Senior Executive Vice President, Worldwide Services*

One-time Bonus. Mr. Holdridge s compensation with respect to 2017 included a one-time reporting bonus of \$100,000, which was established by the CEO in order to attract Mr. Holdridge to the Company. The CEO determined this one-time reporting bonus based on the CEO s subjective evaluation of the scope of Mr. Holdridge s responsibilities and his long-term potential to enhance stockholder value, and in light of the competitive market for talented managers.

Cash Bonus Plan. In February 2018, the Compensation Committee, based on recommendations from the CEO, established a performance-based cash bonus plan for Mr. Holdridge with respect to his performance for 2018. Since Mr. Holdridge has the responsibility for managing the Company s worldwide services organization, the Compensation Committee believed that basing Mr. Holdridge s cash bonus plan on his department s contribution margin (defined as value of hours worked against certain customer engagements, minus specified accrued expenses and a budgeted amount) and annualized value of renewal contracts (annualized value of certain types of contracts minus a budgeted amount) would provide the appropriate reward and incentive for his efforts to strengthen services execution and operating margin growth. The Compensation Committee believed that establishing contribution margin and annualized value of renewal contracts as performance metrics would help to align Mr. Holdridge s interests with those of our stockholders because increases in these metrics directly increase the overall value of the Company to stockholders.

### *MicroStrategy Stock Options*

From 2003 to 2013, we did not grant equity awards in MicroStrategy stock to executive officers. The last tranches of MicroStrategy stock options granted to our executive officers under our prior stock incentive plans vested in 2008. In September 2013, the Board of Directors adopted the 2013 Equity Plan in order to enhance our ability to attract, retain, reward and motivate persons who are expected to make important contributions to the

Company, and to provide such persons with equity ownership opportunities and performance-based incentives that are intended to further align their long-term interests with those of our stockholders. Eligible participants under the 2013 Equity Plan include employees, officers, directors, consultants and advisors of the Company. Currently, an aggregate of 1,700,000 shares of our class A common stock are authorized for issuance under the 2013 Equity Plan. In March 2018, in order to provide the Company with flexibility to issue additional equity incentive awards to key personnel in the future, the Board of Directors adopted Amendment No. 4 to the 2013 Equity Plan to increase the total number of shares of the Company's class A common stock authorized for issuance under the 2013 Equity Plan from 1,700,000 to 2,300,000, subject to stockholder approval.

The 2013 Equity Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards. The Compensation Committee has granted only stock option awards to date, as opposed to restricted stock or restricted stock units, because stock option awards provide us with the flexibility to compete effectively for executive talent in a cost-effective manner, which allows for more attractive packages to our executive officers. In addition, unlike restricted stock or restricted stock units, stock options only provide a return to an award recipient if the price of our class A common stock increases. As stock option awards motivate award recipients to increase the long-term price of our class A common stock, they help to align the long-term interests of award recipients with those of our stockholders.

To encourage retention of award recipients, outstanding stock options vest as to 25% of the original number of shares subject to the stock options on the first anniversary of the grant date, and as to an additional 25% on each anniversary thereafter until the options are vested in full, unless earlier terminated in accordance with the terms of the 2013 Equity Plan or the applicable option agreement; provided that (i) stock options granted to executive officers prior to 2017 automatically vest in full upon the occurrence of a change in control event (as defined in the applicable option agreement) and (ii) stock options granted to executive officers during and after 2017 vest in full upon the occurrence of a change in control event if the executive officer is terminated without cause by the Company or resigns for good reason (in each case as defined in the applicable option agreement) within 12 months following the change in control event, or if the acquiring company does not assume the options or substitute equivalent awards. The stock options have an exercise price equal to the fair market value of our class A common stock on the date of grant and expire ten years following the date of grant. The stock options are also subject to such other terms and conditions as are set forth in the 2013 Equity Plan and the applicable option agreement.

If the award recipient dies or becomes disabled before the final exercise date of an option, the option shall be exercisable within one year of the date of such death or disability; provided that such option shall be exercisable only to the extent that it was exercisable by the award recipient on the date of his or her death or disability and only until the final exercise date.

If the award recipient ceases to be eligible to receive award grants under the 2013 Equity Plan, including through termination of employment without cause, the award recipient generally retains the right to exercise his or her option to the extent that the option was exercisable on the date of such cessation for a period of three months after such cessation. However, if the award recipient is terminated for cause, the award recipient's right to exercise his or her option terminates in full immediately upon such termination, and if the award recipient violates the non-competition or confidentiality provisions of any employment contract, confidentiality and nondisclosure agreement or other agreement between the award recipient and the Company, the award recipient's right to exercise his or her option terminates in full immediately upon such violation.

In granting stock options under the 2013 Equity Plan, the Compensation Committee, based on recommendations from the CEO, makes subjective evaluations of appropriate award amounts to help attract, retain, reward and motivate the applicable executive officer based on the scope of the executive officer's responsibilities, employment and compensation history with us, overall compensation arrangements, including outstanding stock option awards held by the executive officer, and long-term potential to enhance stockholder value, all in the context of general economic and

industry conditions and Company performance.

In 2017, pursuant to the 2013 Equity Plan, the Compensation Committee granted stock options to purchase 40,000 shares of our class A common stock to Mr. Le, 60,000 shares of our class A common stock to Mr. Holdridge, 30,000 shares of our class A common stock to Mr. Lang, and 20,000 shares of our class A common stock to Mr. Rennyson on the terms and conditions as described above. In February 2018, pursuant to the 2013 Equity Plan, the Compensation Committee granted stock options to purchase an additional 80,000 shares of our class A common stock to Mr. Le, 40,000 shares of our class A common stock to Mr. Lang, 20,000 shares of our class A common stock to Mr. Rennyson, and 25,000 shares of our class A common stock to Mr. Shao on the terms and conditions as described above.

Additionally, each executive officer holds outstanding stock option awards that have been granted in prior years. Specifically, Mr. Saylor received a stock option to purchase 400,000 shares of our class A common stock in 2014, Messrs. Le, Lang and Rennyson received stock options to purchase 40,000, 50,000 and 70,000 shares of our class A common stock, respectively, in 2015, and Mr. Shao received stock options to purchase 20,000 and 10,000 shares of our class A common stock in 2014 and 2015, respectively.

We believe that stock option awards, together with our cash bonus arrangements, as applicable, provide appropriate short and long-term incentives to our executive officers to increase stockholder value through their collective efforts in corporate functions, product design, engineering, and sales and services to our customers.

#### ***Perquisites and Other Personal Benefits***

In 2017, we provided the executive officers with perquisites and other personal benefits that the Compensation Committee and CEO believe are reasonable and consistent with our overall compensation program. We believe that the cost of these benefits to us is a reasonable use of our resources, and we monitor these costs closely in reviewing our compensation program. The Company's payment of these costs may result in imputed compensation to the executive officers for tax purposes. These benefits are designed to:

allow our executive officers to participate in important Company meetings and other events;

allow our executive officers to maintain appropriate levels of visibility and activity in business, professional and social circles that may benefit our business, as well as enjoying time with friends and family;

allow our executive officers (and in particular, our CEO) to make more productive and efficient use of their time for Company business and enhance their personal security, in particular during personal travel;

allow our executive officers (and in particular, our CEO) to be in communication with the Company and available to quickly respond to time-sensitive Company matters during personal travel in an environment that allows for confidential communications regarding Company business;

promote our executive officers' health and well-being; and

enhance our ability to retain our executive officers.

The Company has a program pursuant to which it arranges for individual disability insurance policies to be provided to eligible executive officers and certain other senior employees as a supplement to the group disability insurance that is available to most Company employees, and pays the premiums with respect to such supplemental policies. In 2017, Messrs. Saylor and Shao were eligible to participate in this program. Messrs. Le, Holdridge, Lang and Rennyson were not eligible to participate in this program in 2017.

The Company has a program pursuant to which it pays the cost of annual healthcare screenings for eligible executive officers. In 2017, Messrs. Saylor, Le, Lang, Rennyson and Shao were eligible to participate in this program. Mr. Holdridge was not eligible to participate in this program in 2017.

The Company's executive officers are also eligible to participate in the Company's 401(k) plan, which includes an employer match of up to \$3,000 annually, and group term life insurance plan, each of which is a benefit available to most Company employees.

We own a Bombardier Global Express XRS aircraft. We refer to the Bombardier Global Express XRS, collectively with additional aircraft that the Company may lease or charter, as Company Aircraft. We permit personal use of Company Aircraft by Mr. Saylor and, to the extent approved by Mr. Saylor, other executive officers and employees of the Company when the applicable Company Aircraft is not being used exclusively for business. We have established various restrictions on the personal use of Company Aircraft, including the restriction that personal use by Mr. Saylor and any other director or employee of the Company may not exceed, in the aggregate, 200 flight hours in any fiscal year.

We allow executive officers to make personal use of tickets to sporting, charity, dining, entertainment or similar events, as well as use of corporate suites, club memberships or similar facilities that we may acquire, which we refer to as the Corporate Development Programs.

From time to time, our Board of Directors may hold meetings and other related activities in various locations, for which we pay specified travel, lodging, food, beverage, entertainment, and related expenses on behalf of the participants (including any participating executive officers) and their guests.

We sponsor an annual trip and related events for sales and service personnel who have met specified performance criteria. We pay for specified travel, lodging, food, beverage, entertainment and related expenses on behalf of the participants (including any participating executive officers) and their guests. We have established a policy that the compensation imputed to Mr. Saylor as a result of this perquisite, excluding any associated tax gross-up payments, may not exceed \$30,000 in any fiscal year.

The Company may also request that Company personnel, including executive officers, participate in conferences, symposia, and other similar events or activities relating to the Company's business for which the Company pays for the expenses of Company participants and their guests.

From time to time, certain Company personnel, including executive officers, are offered meals prepared by the Company's in-house catering department, which we refer to as Company Meals.

In 2017, we also made available to Mr. Saylor, as CEO, perquisites that were not generally available to other executive officers:

We provided Company-owned vehicles and related driving services to Mr. Saylor. In addition to business use, we authorized Mr. Saylor to make personal use of the Company-owned vehicles and related driving services when such vehicles were not being used exclusively for business purposes.

We pay for the services of one or more drivers for vehicles other than Company-owned vehicles for Mr. Saylor's personal use. We have established a policy that the aggregate compensation to Mr. Saylor and any other director or employee of the Company as a result of personal use of such alternative car services, excluding any associated tax gross-up payments, may not exceed \$100,000 in any fiscal year.

We subleased, at no rental cost, periodic use of a standard office space at our current headquarters building to Aeromar Management Company, LLC, which is a company wholly owned by Mr. Saylor and through which Mr. Saylor conducts personal business activities. Beginning in October 2014, the use of the subleased office space was reduced from an office to a cubicle.

We pay for various costs related to a CEO security program pursuant to which security services are provided to Mr. Saylor; provided that the total cost to the Company of such program, together with any associated tax gross-up payments to Mr. Saylor, does not exceed \$950,000 in any given calendar year (the CEO Security Program Cap ).

We permit Mr. Saylor to make personal use of the Company's in-house catering resources. We refer to such use, other than for Company Meals, as Non-Business Catering Use. We have established a policy that the compensation imputed to Mr. Saylor as a result of Non-Business Catering Use, excluding any associated tax gross-up payments, may not exceed \$25,000 in any fiscal year.

We may hold, host or otherwise arrange events, outings or other similar entertainment functions at which Mr. Saylor is permitted to entertain personal guests. We have established a policy that the aggregate incremental cost to us of such entertainment activities (to the extent that they are not Corporate Development Programs) attributable to Mr. Saylor, including any associated tax gross-up payments, may not exceed \$75,000 in any fiscal year (the Entertainment Events Cap).

To the extent that any of the arrangements described above result in compensation to an executive officer, the Company pays to (or withholds and pays to the appropriate taxing authority on behalf of) such executive officer a tax gross-up in cash approximating his (i) federal and state income and payroll taxes on the taxable income associated with such arrangements plus (ii) federal and state income and payroll taxes on the taxes that the individual may incur as a result of the payment of taxes by the Company with respect to the imputed compensation, subject to the Entertainment Events Cap and CEO Security Program Cap, as applicable.

The Compensation Committee periodically reviews the levels of perquisites and other personal benefits provided to the CEO, and may adjust, add or eliminate certain perquisites or benefits. Similarly, the Compensation Committee and CEO periodically review the levels of perquisites and other personal benefits provided to the other executive officers, and may adjust, add or eliminate certain perquisites or benefits.

#### ***Change-of-Control Agreement***

The options to purchase shares of our class A common stock granted under the 2013 Equity Plan to our executive officers provide or provided, as applicable, for vesting in full (i) upon the occurrence of a change in control event or (ii) upon the termination without cause or resignation for good reason of the applicable executive officer within 12 months following a change in control event, in each case as described above in the Elements Used to Achieve 2017 Compensation Objectives MicroStrategy Stock Options section. For details on potential payments upon a change in control, please see Executive and Director Compensation Executive Officer Compensation Potential Payments Upon Termination or Change in Control.

#### **Compensation Committee Report**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K. Based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

By the Compensation Committee of the Board of Directors of MicroStrategy Incorporated.

Carl J. Rickertsen

Robert H. Epstein

Jarrold M. Patten



### Executive Officer Compensation

The compensation information set forth below relates to compensation paid by us to our Chief Executive Officer, Chief Financial Officer and three other most highly compensated executive officers who were serving as executive officers as of December 31, 2017, and W. Ming Shao, our Senior Executive Vice President & General Counsel. In this section, we refer to all of these individuals, except Mr. Shao, as our named executive officers and, collectively with Mr. Shao, as our executive officers.

#### Summary Compensation Table

The table below sets forth certain information concerning the compensation of the executive officers for the fiscal years ended December 31, 2017, December 31, 2016 and December 31, 2015.

Name and Principal Position	Year			Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation \$(1)	Total (\$)
		Salary (\$)	Bonus (\$)				
Michael J. Saylor Chairman of the Board, President & Chief Executive Officer	2017	1				655,644(10)	655,645
	2016	1				683,622	683,623
	2015	1				592,441	592,442
Phong Q. Le Senior Executive Vice President & Chief Financial Officer	2017	575,000	600,000(2)	3,092,400(8)		7,872(11)(12)	4,275,272
	2016	500,000	495,000(2)			11,453	1,006,453
	2015	178,030	242,466(3)	3,315,600(8)		3,063	3,739,159
Stephen H. Holdridge Senior Executive Vice President, Worldwide Services	2017	69,886	169,041(4)	3,240,000(8)		1,020(13)	3,479,947
Timothy E. Lang Senior Executive Vice President & Chief Technology Officer	2017	437,500	500,000(5)	2,319,300(8)		3,121(11)(14)	3,259,921
	2016	400,000	378,000(5)			3,252	781,252
	2015	318,750	350,000(6)	3,409,500(8)		4,533	4,082,783
David J. Rennyson Former Senior Executive Vice President, Worldwide Sales	2017	468,750		1,546,200(8)		14,764(11)(15)	2,029,714
	2016	437,500			672,987(9)	31,796	1,142,283
W. Ming Shao Senior Executive Vice President & General Counsel	2017	485,000	420,000(7)			13,456(11)(16)	918,456
	2016	465,250	378,000(7)			13,816	857,066

- (1) All Other Compensation includes the value of perquisites and other personal benefits, employer 401(k) Plan Match and group term Life Insurance for the executive officer, as well as tax gross-ups paid to him for the fiscal year, but does not include perquisites and other personal benefits for the executive officer if the total value of all

perquisites and other personal benefits for such executive officer in a given fiscal year was less than \$10,000. For purposes of the amounts reported in this column for 2017:

401(k) Plan Match refers to matching payments of up to \$3,000 annually made by the Company under the Company's 401(k) plan, which is a benefit available to most Company employees;

CEO Security Program refers to the expenses related to the CEO security program pursuant to which the Company pays for various costs related to the provision of security to Mr. Saylor;

Company Aircraft refers to the Bombardier Global Express XRS aircraft owned by the Company, as well as such other aircraft that (i) we may, from time to time, lease or charter, including, without limitation, any aircraft subject to a fractional interest program in which we may participate by leasing a fractional interest and (ii) has been designated by the Company to be Company Aircraft under our aircraft use policy;

Company Meals refer to meals prepared, from time to time, by the Company's in-house catering department offered to Company personnel, including the executive officers;

Company Vehicles refer to the sedan and sports utility vehicle that the Company owned in 2017, and related driving services;

Corporate Development Programs refer to tickets to sporting, charity, dining, entertainment or similar events, as well as use of corporate suites, club memberships or similar facilities that the Company may acquire;

Executive Healthcare Screening Program refers to a program pursuant to which the Company pays the cost of annual healthcare screenings for eligible executive officers;

Life Insurance refers to premiums paid by the Company with respect to a group term life insurance plan, which is a benefit available to most Company employees;

President's Club refers to an annual trip and related events for sales and service personnel who have met specified performance criteria;

Sublease refers to the sublease of office space by the Company to Aeromar Management Company, LLC, which is wholly owned by Mr. Saylor; and

Supplemental Disability Insurance refers to premiums paid by the Company with respect to individual disability insurance policies provided to certain Company personnel, including eligible executive officers, as a supplement to the group disability insurance that is available to most Company employees.

See Executive and Director Compensation Compensation Discussion and Analysis for further discussion of the benefits referred to in this footnote.

With respect to each item of All Other Compensation, we report the aggregate incremental cost to the Company. We generally calculate aggregate incremental cost to the Company by disregarding fixed costs that the Company has already incurred as a general matter but are necessary to provide the item, and aggregating only the variable costs that the Company incurs as a result of providing the item to the executive officer. We calculate aggregate incremental cost to the Company for the following perquisites that represented the greater of \$25,000 or 10% of the total amount of perquisites and personal benefits for a particular executive officer as indicated below:

With respect to the Company Aircraft, we have determined that there is no aggregate incremental cost to the Company when personal guests of executive officers accompany executive officers on business flights. When the purpose of the flight is personal in nature, we determine the aggregate incremental cost of providing the Company Aircraft for personal use by aggregating variable costs associated with the particular flight such as fuel costs, crew travel expenses, casual and temporary labor costs, aviation staff expenses, aircraft trip planning fees, handler and landing fees, and catering costs.

With respect to the CEO Security Program, we have determined that the aggregate incremental cost to the Company of providing this benefit is calculated by prorating the aggregated costs associated with the operation of the CEO Security Program by the percentage of time spent by the security specialists on matters that are personal in nature. Costs associated with the operation of the CEO Security Program include compensation and fees for the security specialists, travel, parking, lodging and meal expenses associated with the provision of security services, consulting and advisory fees, rent and related office expenses, and other business costs.

- (2) Amount shown represents a discretionary cash bonus awarded to Mr. Le for the respective fiscal year.
- (3) Of the amount shown, \$100,000 represents a one-time reporting bonus awarded to Mr. Le in connection with the commencement of his employment with the Company in August 2015 and \$142,466 represents a discretionary bonus awarded to Mr. Le with respect to 2015.
- (4) Of the amount shown, \$100,000 represents a one-time reporting bonus awarded to Mr. Holdridge in connection with the commencement of his employment with the Company in November 2017 and \$69,041 represents a discretionary bonus awarded to Mr. Holdridge with respect to 2017.
- (5) Amount shown represents a discretionary cash bonus awarded to Mr. Lang for the respective fiscal year.
- (6) Of the amount shown, \$150,000 represents a one-time discretionary bonus awarded to Mr. Lang in 2015 in recognition of his achievement of certain strategic goals and \$200,000 represents a discretionary annual bonus awarded to Mr. Lang with respect to 2015.
- (7) Amount shown represents a discretionary cash bonus awarded to Mr. Shao for the respective fiscal year.
- (8) Represents the grant date fair value of an option to purchase shares of our class A common stock granted under the 2013 Equity Plan, calculated in accordance with FASB ASC Topic 718, Compensation Stock Compensation. See Note 12 Share-based Compensation to the Company's consolidated financial statements set forth in the Company's Form 10-K for the years ended December 31, 2015 and December 31, 2016, and Note 11 Share-based Compensation to the Company's consolidated financial statements set forth in the Company's Form 10-K for the year ended December 31, 2017, as applicable, for the assumptions made in determining grant date fair value for the option. This amount reflects the grant date fair value for the option and is not intended to represent the value, if any, that has been or will be actually realized by the individual.
- (9) Amount shown represents a cash bonus awarded to Mr. Rennyson pursuant to his performance-based cash bonus plan for 2016.
- (10) Amount shown consists of (i) \$247,115 in connection with personal use of the Company Aircraft, (ii) \$291,386 in connection with the CEO Security Program, (iii) \$89,633 in tax gross-ups paid to Mr. Saylor for the fiscal year and (iv) amounts in connection with the Sublease, personal use of Company Vehicles, personal use of Corporate Development Programs, Supplemental Disability Insurance, Company Meals and Meeting Activities (as defined below in the Director Compensation section).
- (11) Each amount shown includes (i) \$3,000 in connection with 401(k) Plan Match and (ii) \$120 in connection with Life Insurance.
- (12) Amount shown also includes \$4,752 in tax gross-ups paid to Mr. Le for the fiscal year.
- (13) Amount shown consists of (i) \$1,000 in connection with 401(k) Plan Match and (ii) \$20 in connection with Life Insurance.
- (14) Amount shown also includes \$1 in tax gross-ups paid to Mr. Lang for the fiscal year.
- (15) Amount shown also includes \$11,644 in tax gross-ups paid to Mr. Rennyson for the fiscal year.
- (16) Amount shown also includes amounts in connection with (i) Supplemental Disability Insurance and (ii) Company Meals.

#### Grants of Plan-based Awards for 2017

The following table sets forth certain information concerning grants of plan-based awards to the executive officers for the fiscal year ended December 31, 2017:

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			All Other Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards (\$/Sh)(2)	Grant Date Fair Value of Option Awards \$(3)
		Threshold	Target	Maximum			
		(\$)	(\$)	(\$)			

	(1)			
Michael J. Saylor				
Phong Q. Le	40,000	\$	189.16	\$ 3,092,400
Stephen H. Holdridge	60,000	\$	133.18	\$ 3,240,000
Timothy E. Lang	30,000	\$	189.16	\$ 2,319,300

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			All Other Awards: Number of Securities Underlying Options			Exercise or Base Price of Option Awards		Grant Date Fair Value of Option Awards
		Threshold	Target	Maximum						
		(\$)	(\$)	(\$)	(#)(1)			(\$/Sh)(2)		(\$)(3)
David J. Rennyson	(4)	(4)	819,105(4)	8,000,000(4)	20,000			\$ 189.16		\$ 1,546,200
W. Ming Shao										

- (1) Amounts shown relate to options to purchase shares of our class A common stock granted under the 2013 Equity Plan.
- (2) Each option (i) is not intended to qualify as an incentive stock option, (ii) has an exercise price per share equal to the closing sale price of our class A common stock as quoted on Nasdaq on the date of grant, (iii) expires on the tenth anniversary of the date of grant, (iv) vested or will vest as to 25% of the original number of shares subject to the stock option on the first anniversary of the date of grant, and vests as to an additional 25% on each anniversary thereafter until the option is vested in full, unless earlier terminated in accordance with the terms of the 2013 Equity Plan or the applicable option agreement, (v) provides for vesting in full in connection with a change in control event under specified conditions as set forth in the applicable option agreement, and (vi) is otherwise subject to such other terms and conditions as are set forth in the applicable option agreement and the 2013 Equity Plan.
- (3) Amounts calculated in accordance with FASB ASC Topic 718, Compensation – Stock Compensation. See Note 11 Share-based Compensation to the Company's consolidated financial statements set forth in the Company's Form 10-K for the year ended December 31, 2017 for the assumptions made in determining grant date fair values. These amounts reflect the grant date fair values for these options and are not intended to represent the value, if any, that has been or will be actually realized by the individual.
- (4) On March 8, 2017, the Compensation Committee established a performance-based cash bonus plan for Mr. Rennyson with respect to his performance for 2017, as discussed in Executive and Director Compensation – Compensation Discussion and Analysis. The cash bonus plan was designed to award Mr. Rennyson based on (i) his department's contribution margin, consisting of amounts payable under certain contracts executed in 2017 during the 12 months following contract execution, less specified costs, and (ii) the annualized value of certain types of contracts over a specified threshold. The maximum bonus amount that could be awarded to Mr. Rennyson pursuant to this cash bonus plan was \$8 million. There were no threshold or target bonus amounts under the cash bonus plan. When target awards are not determinable, SEC rules require the disclosure of representative amounts based on the previous year's performance. Accordingly, the amount in the Target column represents the award for which Mr. Rennyson would have been eligible if the contribution margin and annualized value of renewal contracts for 2017 had been the same as the contribution margin and annualized value of renewal contracts for 2016. On January 25, 2018, the Compensation Committee determined not to award a cash bonus to Mr. Rennyson pursuant to this bonus plan with respect to his performance during 2017.

#### Outstanding Equity Awards at 2017 Fiscal Year-End

The following table sets forth information concerning unexercised options outstanding as of December 31, 2017 for each of the executive officers. All option awards were with respect to our class A common stock and were granted under the 2013 Equity Plan.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price per Share (\$)	Option Expiration Date
Michael J. Saylor	300,000	100,000	121.43	4/30/2024
Phong Q. Le	20,000	20,000	201.25	9/8/2025
		40,000	189.16	3/8/2027
Stephen H. Holdridge		60,000	133.18	11/14/2027
Timothy E. Lang	25,000	25,000	165.01	2/2/2025
		30,000	189.16	3/8/2027
David J. Rennyson	35,000	35,000	165.01	2/2/2025
		20,000	189.16	3/8/2027
W. Ming Shao	7,600	5,000	119.02	5/4/2024
	5,000	5,000	165.01	2/2/2025

- (1) Each option (i) is not intended to qualify as an incentive stock option, (ii) has an exercise price per share equal to the closing sale price of our class A common stock as quoted on Nasdaq on the date of grant, (iii) expires on the tenth anniversary of the date of grant, (iv) vested or will vest as to 25% of the original number of shares subject to the stock option on the first anniversary of the date of grant, and vests as to an additional 25% on each anniversary thereafter until the option is vested in full, unless earlier terminated in accordance with the terms of the 2013 Equity Plan or the applicable option agreement, (v) provides for vesting in full in connection with a change in control event under specified conditions as set forth in the applicable option agreement, and (vi) is otherwise subject to such other terms and conditions as are set forth in the applicable option agreement and the 2013 Equity Plan.

#### Option Exercises in 2017

The following table sets forth information concerning the number of shares acquired and the value realized on exercise or transfer for value of stock options during the fiscal year ended December 31, 2017 by each of the executive officers.

Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)
Michael J. Saylor		
Phong Q. Le		
Stephen H. Holdridge		
Timothy E. Lang		
David J. Rennyson		
W. Ming Shao	2,400	154,846

#### Potential Payments Upon Termination or Change in Control

The options to purchase shares of our class A common stock granted under the 2013 Equity Plan to the executive officers outstanding as of December 31, 2017 provide for vesting in full in connection with a change in control event under specified conditions as set forth in the applicable option agreement. If such a change in control event had

occurred on December 29, 2017:

the vesting of the option held by Mr. Saylor would have been accelerated with respect to 100,000 shares, representing a benefit of \$987,000, based on the difference between \$121.43, the exercise price per share of the option, and \$131.30, the closing price of our class A common stock on Nasdaq on December 29, 2017;

the vesting of the options held by Mr. Le would have been accelerated with respect to (i) 20,000 shares granted in 2015 and (ii) 40,000 shares granted in 2017; however, because the exercise prices of Mr. Le's options, \$201.25 and \$189.16, respectively, are each higher than the closing price of our class A common stock on Nasdaq on December 29, 2017, Mr. Le would not have received any benefit from the acceleration;

the vesting of the option held by Mr. Holdridge would have been accelerated with respect to 60,000 shares; however, because the exercise price of Mr. Holdridge's option, \$133.18, is higher than the closing price of our class A common stock on Nasdaq on December 29, 2017, Mr. Holdridge would not have received any benefit from the acceleration;

the vesting of the options held by Mr. Lang would have been accelerated with respect to (i) 25,000 shares granted in 2015 and (ii) 30,000 shares granted in 2017; however, because the exercise prices of Mr. Lang's options, \$165.01 and \$189.16, respectively, are each higher than the closing price of our class A common stock on Nasdaq on December 29, 2017, Mr. Lang would not have received any benefit from the acceleration;

the vesting of the options held by Mr. Rennyson would have been accelerated with respect to (i) 35,000 shares granted in 2015 and (ii) 20,000 shares granted in 2017; however, because the exercise prices of Mr. Rennyson's options, \$165.01 and \$189.16, respectively, are each higher than the closing price of our class A common stock on Nasdaq on December 29, 2017, Mr. Rennyson would not have received any benefit from the acceleration; and

the vesting of the options held by Mr. Shao would have been accelerated with respect to (i) 5,000 shares granted in 2014, representing a benefit of \$61,400, based on the difference between \$119.02, the exercise price per share of the option, and \$131.30, the closing price of our class A common stock on Nasdaq on December 29, 2017 and (ii) 5,000 shares granted in 2015; however, because the exercise price of Mr. Shao's option, \$165.01, is higher than the closing price of our class A common stock on Nasdaq on December 29, 2017, Mr. Shao would not have received any benefit from the acceleration with respect to this option.

## Director Compensation

Each non-employee or outside director receives a fee of \$37,500 for each quarterly meeting of the Board of Directors that the outside director attends in person. An outside director may be paid this fee for attending a quarterly Board meeting via telephonic conference call if the outside director has good reason for the outside director's failure to attend such meeting in person as determined by the Chairman of the Board of Directors, but such payment is limited to one occurrence in any given fiscal year. Each outside director who is a member of the Audit Committee also receives a fee of \$10,000 (or \$12,500 in the case of the Chairman of the Audit Committee) for each quarterly meeting of such committee that the outside director attends in person. Each outside director who is a member of the Compensation Committee also receives a fee of \$5,000 (or \$7,500 in the case of the Chairman of the Compensation Committee), which is paid quarterly; provided that, in order to be eligible to receive the fee with respect to a fiscal quarter, the outside director must have served on the Compensation Committee on the last day of such fiscal quarter. Each outside director may also receive up to an additional \$12,000 of fees in the aggregate in any fiscal quarter for additional services delegated by the Board of Directors to such outside director in the outside director's capacity as a member of the Audit Committee, the Compensation Committee, the Board of Directors, or any other committees of the Board of Directors; provided that any such fee paid with respect to a particular service must be approved by the Board of Directors following the completion of such service by the outside director. Additionally, since May 2015, each outside director receives on May 31 of each year an automatic annual stock option award to purchase 5,000 shares of our class A common stock in accordance with the terms of the 2013 Equity Plan.

From time to time, the Board of Directors may hold meetings and other related activities in various locations for which the Company pays for the expenses of outside directors and their guests ( Meeting Activities ). In addition, we may hold, host or otherwise arrange parties, outings or other similar entertainment events for which the Company pays for the expenses of outside directors and their guests ( Entertainment Events ). We may also request that outside directors participate in conferences, symposia and other similar events or activities relating to our business for which the Company pays the expenses of outside directors and their guests ( Company-Sponsored Activities ) and, collectively with Meeting Activities and Entertainment Events, MicroStrategy Activities ). Any employee director is also eligible to participate in MicroStrategy Activities.

We are also authorized to make available, from time to time, for personal use by outside directors, our executive officers, and other employees of the Company and its subsidiaries: tickets to sporting, charity, dining, entertainment or similar events, as well as use of corporate suites, club memberships or similar facilities that we may acquire; Company-owned vehicles and related driving services; the services of one or more drivers for vehicles other than Company-owned vehicles; and Company Aircraft which includes the Company's Bombardier Global Express XRS aircraft, as well as such other aircraft (i) that we may, from time to time, lease or charter, including, without limitation, any aircraft subject to a fractional interest program in which we may participate by leasing a fractional interest and (ii) that has been designated by the Company to be Company Aircraft under our aircraft use policy. Outside directors may make personal use of Company Aircraft; provided that (a) all outside directors are invited by the Company to travel on the applicable flight and (b) such personal use is in connection with the outside director's participation in one or more (1) Meeting Activities, (2) Entertainment Events to which all outside directors have been invited, or (3) Company-Sponsored Activities. In addition, outside directors may make personal use of Company Aircraft on a ride-along basis. We also make available to outside directors certain medical, dental and vision insurance plan benefits that we offer to our U.S. employees.

To the extent that any of the arrangements described above, other than fee compensation, result in imputed compensation to an outside director, we pay to (or withhold and pay to the appropriate taxing authority on behalf of) such outside director a tax gross-up in cash approximating his or her (i) federal and state income and payroll taxes on the taxable income associated with such arrangements plus (ii) federal and state income and payroll taxes on the taxes that the outside director may incur as a result of the payment of taxes by us with respect to the imputed compensation, subject to the aggregate amount limitations described above in Executive and Director Compensation Compensation

Discussion and Analysis, if applicable.

The following table sets forth information concerning the compensation of each of our non-employee directors for the fiscal year ended December 31, 2017. Ms. Breya and Mr. Rechan joined the Board of Directors in March 2018, and did not receive any compensation during the fiscal year ended December 31, 2017. For more information regarding the compensation of our employee director, Mr. Saylor, please see Executive and Director Compensation Executive Officer Compensation above.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Option Awards (\$ (1))</b>	<b>All Other Compensation (\$ (2))</b>	<b>Total (\$)</b>
Robert H. Epstein	170,000	363,150	8,037	541,187
Stephen X. Graham	200,000	363,150	6,500	569,650
Jarrold M. Patten	210,000	363,150	4,929	578,079
Carl J. Rickertsen	220,000	363,150	10,074	593,224

- (1) Represents the grant date fair value of an option to purchase shares of our class A common stock awarded to each non-employee director on May 31, 2017, constituting the third automatic annual grant awarded to each non-employee director pursuant to the 2013 Equity Plan, and calculated in accordance with FASB ASC Topic 718, Compensation Stock Compensation. See Note 11 Share-based Compensation to the Company's consolidated financial statements set forth in the Company's Form 10-K for the year ended December 31, 2017 for the assumptions made in determining grant date fair value for these options. The amounts reflect the grant date fair value for these options and are not intended to represent the value, if any, that has been or will be actually realized by the individual. As of December 31, 2017, our non-employee directors held the following shares of our class A common stock, and the following number of outstanding options to purchase shares of our class A common stock:

<b>Name</b>	<b>Shares of Class A Common Stock</b>	<b>Outstanding Options (a)</b>
Robert H. Epstein		32,900
Stephen X. Graham	200	40,000
Jarrold M. Patten		46,683
Carl J. Rickertsen	3,000	50,000

- (a) Each option (i) is not intended to qualify as an incentive stock option, (ii) has an exercise price per share equal to the closing sale price of our class A common stock as quoted on Nasdaq on the date of grant, (iii) expires on the tenth anniversary of the date of grant, (iv) vested or will vest as to 25% of the original number of shares subject to the stock option on the first anniversary of the date of grant, and vests as to an additional 25% on each anniversary thereafter until the option is vested in full, unless earlier terminated in accordance with the terms of the 2013 Equity Plan or the applicable option agreement, (v) provides for automatic vesting in full in connection with a change in control event under specified conditions as set forth in the applicable option agreement, and (vi) is otherwise subject to such other terms and conditions as are set forth in the applicable option agreement and the 2013 Equity Plan.

All Other Compensation includes the value of perquisites and other personal benefits for the director, as well as tax gross-ups paid to the applicable director for the fiscal year, but does not include perquisites and other personal benefits for the director if the total value of all perquisites and other personal benefits for such director in a given fiscal year was less than \$10,000. For the fiscal year ended December 31, 2017, the total value of all perquisites and other personal benefits, if any, for each of our non-employee directors was less than \$10,000 and, accordingly, the figures shown in this column represent only tax gross-ups paid to the applicable director for the fiscal year.

### Equity Compensation Plan Information

The following table provides information about the class A common stock of the Company authorized for issuance under our equity compensation plan as of December 31, 2017:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (#)	Weighted average exercise price of outstanding options, warrants and rights (\$)	Number of securities remaining available for future issuance under equity compensation plans (#)
Equity compensation plans approved by stockholders	991,633	\$ 145.28	485,000
Equity compensation plans not approved by stockholders (1)			
<b>Total</b>	<b>991,633</b>	<b>\$ 145.28</b>	<b>485,000</b>

- (1) Relates to Amendment No. 4 to the 2013 Equity Plan, which is subject to stockholder approval. For additional information regarding Amendment No. 4 to the 2013 Equity Plan, see Proposal 2 Approval of Amendment No. 4 to the MicroStrategy Incorporated 2013 Stock Incentive Plan to, among other things, increase the number of shares of class A common stock authorized for issuance under such plan from 1,700,000 to 2,300,000.

### CEO Pay Ratio

Pursuant to applicable SEC rules, set forth below is the ratio of the total annual compensation of our CEO to the median of the total annual compensation of our employees (excluding our CEO) for 2017. The ratio below is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

We selected the median employee from the group of 2,230 U.S. and non-U.S., full-time, part-time, temporary and seasonal workers who were employed as of December 31, 2017 (the Employee Pool). The Employee Pool did not include the CEO or third-party consultants and contractors. In identifying our median employee, we calculated the total annual compensation of each employee for the year ended December 31, 2017 using internal payroll and human resources records. Compensation calculated in foreign currency was converted into U.S. dollars using fixed foreign exchange rates set by our finance department.

As disclosed in the Summary Compensation Table on page 29, the total compensation for our CEO in 2017, as determined under Item 402 of Regulation S-K, was \$655,645. The total compensation for our median employee in 2017, as determined under Item 402 of Regulation S-K, was \$86,635. Based on the foregoing, we estimate the ratio of our CEO's total annual compensation to our median employee's total annual compensation for 2017 to be 7.6 to 1. Given the different methodologies that companies use in estimating their pay ratios, our estimated pay ratio set forth above should not be used as a basis for comparing companies.



## AUDIT COMMITTEE REPORT

The Audit Committee of the Company's Board of Directors has reviewed the Company's audited financial statements for the fiscal year ended December 31, 2017 and discussed them with management and the Company's independent registered public accounting firm, KPMG LLP ( "KPMG" ).

The Audit Committee has received from and discussed with KPMG the matters required to be discussed by Auditing Standard No. 1301, *Communications with Audit Committees*, adopted by the Public Company Accounting Oversight Board. The Audit Committee has also received and reviewed the written disclosures and the letter from KPMG required by applicable requirements of the Public Company Accounting Oversight Board regarding KPMG's communications with the Audit Committee concerning independence, and has discussed with KPMG its independence from the Company.

Based on the review and discussions described above, the Audit Committee recommended to the Company's Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

By the Audit Committee of the Board of Directors of MicroStrategy Incorporated.

Stephen X. Graham

Jarrod M. Patten

Carl J. Rickertsen

## **PROPOSAL 2**

### **APPROVAL OF AMENDMENT NO. 4 TO THE MICROSTRATEGY INCORPORATED 2013 STOCK INCENTIVE PLAN TO, AMONG OTHER THINGS, INCREASE THE NUMBER OF SHARES OF CLASS A COMMON STOCK AUTHORIZED FOR ISSUANCE UNDER SUCH PLAN FROM 1,700,000 TO 2,300,000**

#### **Introduction**

In September 2013, the Company's Board of Directors adopted the MicroStrategy Incorporated 2013 Stock Incentive Plan (the "Original 2013 Equity Plan"). In April 2014, the Board of Directors adopted Amendment No. 1 to the Original 2013 Equity Plan (Amendment No. 1) and the Compensation Committee adopted Amendment No. 2 to the Original 2013 Equity Plan (Amendment No. 2). In October 2015, the Board of Directors adopted Amendment No. 3 to the Original 2013 Equity Plan (Amendment No. 3) (the Original 2013 Equity Plan as amended by Amendments No. 1, 2 and 3, the "Previously Amended 2013 Equity Plan"). Amendment No. 1 increased the total number of shares of the Company's class A common stock (referred to in this Proposal 2 as the "Common Stock") authorized for issuance under the Original 2013 Equity Plan from 600,000 to 1,500,000. Amendment No. 2 provided for automatic annual stock option grants to each of the Company's non-employee directors with respect to 5,000 shares of Common Stock, per director, per year, beginning in May 2015. In April 2015, the Company's stockholders approved Amendments No. 1 and 2 at the Company's annual meeting of stockholders. Amendment No. 3 increased the total number of shares of Common Stock authorized for issuance under the Original 2013 Equity Plan, as amended by Amendments No. 1 and 2, from 1,500,000 to 1,700,000. In May 2016, the Company's stockholders approved Amendment No. 3 at the Company's annual meeting of stockholders.

We are now asking stockholders to approve Amendment No. 4 to the Previously Amended 2013 Equity Plan (Amendment No. 4) (the Previously Amended 2013 Equity Plan as amended by Amendment No. 4, the "2013 Equity Plan"). The 2013 Equity Plan was established in order to enhance the Company's ability to attract, retain and motivate persons who are expected to make important contributions to the Company and to provide such persons with equity ownership opportunities and performance-based incentives that are intended to further align their long-term interests with those of the Company's stockholders. As indicated above, the Board of Directors had authorized 1,700,000 shares of Common Stock for issuance under the Previously Amended 2013 Equity Plan. As of April 12, 2018, there were options outstanding with respect to 1,462,883 shares of Common Stock.

On March 29, 2018, in order to enable the Company to issue additional equity incentive awards to key personnel, the Board of Directors adopted Amendment No. 4 and authorized an additional 600,000 shares of Common Stock for issuance under the 2013 Equity Plan, subject to stockholder approval. Amendment No. 4 increases the total number of shares of Common Stock authorized for issuance under the 2013 Equity Plan from 1,700,000 to 2,300,000.

Amendment No. 4 also removes the 2013 Equity Plan provisions regarding Section 162(m) that are no longer relevant due to recent changes to the Code pursuant to the Tax Act, which eliminated the performance-based compensation exception to the deduction limitation under Section 162(m). In addition, Amendment No. 4 conforms the 2013 Equity Plan's withholding rules to reflect the latest accounting rules with respect to the use of shares to satisfy tax withholding obligations.

As of April 12, 2018, there were 613,750 shares of Common Stock authorized and available for grant under the 2013 Equity Plan (inclusive of the 600,000 shares of Common Stock subject to stockholder approval of Amendment No. 4). If Amendment No. 4 is not approved by stockholders, there would be 13,750 shares of Common Stock authorized and available for grant under the Previously Amended 2013 Equity Plan immediately following the Annual Meeting,

assuming no additional awards are granted or terminated under the Previously Amended 2013 Equity Plan prior to the Annual Meeting.

**New Plan Benefits**

The following table sets forth certain information regarding the awards granted to named executive officers and other groups under the 2013 Equity Plan since its inception through April 12, 2018:

**MicroStrategy Incorporated 2013 Stock Incentive Plan**

<b>Name and Position</b>	<b>Number of Shares Subject to Option Grant</b>	<b>Dollar Value of Option Grant (\$)</b>
Michael J. Saylor Chairman of the Board, President & Chief Executive Officer	400,000(1)	21,708,000(2)
Phong Q. Le Senior Executive Vice President & Chief Financial Officer	160,000(1)	10,597,600(2)
Stephen H. Holdridge Senior Executive Vice President, Worldwide Services	60,000(1)	3,240,000(2)
Timothy E. Lang Senior Executive Vice President & Chief Technology Officer	120,000(1)	7,823,600(2)
David J. Rennyson Former Senior Executive Vice President, Worldwide Sales	110,000(1)	7,366,900(2)
Current executive officers as a group (6 persons)	795,000	46,421,950(2)
Non-executive directors as a group (6 persons)	180,000	10,909,800(2)
Non-executive officer employees as a group (58 persons)	1,445,000	77,872,025(2)

- (1) None of the stock options granted to Messrs. Saylor, Le, Holdridge, Lang or Rennyson are subject to stockholder approval of Amendment No. 4. The stock option granted to Mr. Saylor was granted in 2014. The stock options granted to Messrs. Le, Lang and Rennyson were granted in 2015, 2017 and February 2018. The stock option granted to Mr. Holdridge was granted in 2017.

- (2) Represents the grant date fair value of the applicable options to purchase shares of Common Stock granted under the Previously Amended 2013 Equity Plan, calculated in accordance with FASB ASC Topic 718,

Compensation Stock Compensation. See Note 12 Share-based Compensation to the Company's consolidated financial statements set forth in the Company's Form 10-K for the years ended December 31, 2015 and December 31, 2016, and Note 11 Share-based Compensation to the Company's consolidated financial statements set forth in the Company's Form 10-K for the year ended December 31, 2017, as applicable, for the assumptions made in determining grant date fair value for the options. This amount reflects the grant date fair value for the applicable options and is not intended to represent the value, if any, that has been or will be actually realized by the individual.

The Company and each non-employee director, executive officer, and non-executive officer employee who received stock options under the Previously Amended 2013 Equity Plan entered into option agreements with respect to these options. Each option (i) has an exercise price per share equal to the closing sale price of the Common Stock as quoted on Nasdaq on the date of grant, (ii) expires on the tenth anniversary of the date of grant, (iii) vested or will vest as to 25% of the original number of shares subject to the stock option on the first anniversary of the date of grant, and vests as to an additional 25% on each anniversary thereafter until the option is vested in full, unless earlier terminated in accordance with the terms of the 2013 Equity Plan or the applicable option agreement, (iv) provides for vesting in full in connection with a change in control event under specified conditions as set forth in the applicable option agreement, and (v) is otherwise subject to such other terms and conditions as are set forth in the applicable option agreement and

the 2013 Equity Plan. Each option is a non-statutory stock option.

On April 12, 2018, the closing sale price on Nasdaq of the Common Stock was \$129.52 per share.

## **Description of the 2013 Equity Plan**

The following is a brief summary of the 2013 Equity Plan. The following summary is qualified in its entirety by reference to the full text of the 2013 Equity Plan, including Amendments No. 1, 2, 3 and 4, copies of which have been included in Appendix A to this proxy statement.

### ***Amendment No. 4 to the Previously Amended 2013 Equity Plan***

Under this proposal, the number of shares of Common Stock authorized for issuance under the 2013 Equity Plan would be increased from 1,700,000 to 2,300,000. Additionally, the 2013 Equity Plan provisions regarding Section 162(m) that are no longer relevant due to recent changes to the Code pursuant to the Tax Act would be removed, and the 2013 Equity Plan's withholding rules would be conformed to reflect the latest accounting rules with respect to the use of shares to satisfy tax withholding obligations.

### ***Types of Awards***

The 2013 Equity Plan provides for the grant of incentive stock options intended to qualify as such under Section 422 of the Code, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, and other stock-based awards (collectively, *Awards*) as more fully described below.

### ***Incentive Stock Options and Non-statutory Stock Options***

Option holders receive the right to purchase a specified number of shares of Common Stock at a specified exercise price and subject to such other terms and conditions as are specified in connection with the option grant. Options shall be granted at an exercise price not less than 100% of the fair market value of the Common Stock on the date of grant. The 2013 Equity Plan permits the following forms of payment of the exercise price of options: (i) payment by cash, check, or in connection with a cashless exercise through a broker, which we refer to as exercises for cash; (ii) surrender to the Company of shares of Common Stock; or (iii) any other lawful means.

### ***Restricted Stock and Restricted Stock Units***

Restricted stock or restricted stock unit holders receive the right to acquire shares of Common Stock, or in the case of restricted stock units, cash at the time such Award vests, subject to such restrictions, conditions and other terms as the Board of Directors may determine, including the conditions for vesting and repurchase (or forfeiture) and the issue price, if any. Under the 2013 Equity Plan, holders of restricted stock units shall have no voting rights with respect to such Awards. Unless otherwise provided in the applicable Award agreement, any dividends (whether paid in cash, stock or property) declared and paid by the Company with respect to shares of restricted stock shall be paid to the holder only if such shares become free from the restrictions on transferability and forfeitability that apply to such shares. The Award agreement for restricted stock units may provide holders with the right to receive an amount equal to any dividends or other distributions declared and paid on an equal number of outstanding shares of Common Stock, and such dividend equivalents may be subject to the same restrictions on transfer and forfeitability as the restricted stock units to the extent provided in the restricted stock unit Award agreement.

### ***Stock Appreciation Rights***

Stock appreciation rights (*SARs*) holders receive the right to acquire the number of shares of Common Stock determined by reference to appreciation from and after the date of grant, in the fair market value of a share of Common Stock over a predetermined measurement price. SARs shall be granted at a measurement price not less than 100% of the fair market value of the Common Stock on the date of grant. The Company may not satisfy its obligation upon exercise of SARs in cash, among other actions, without the approval of the Company's stockholders.



### ***Other Stock-Based Awards***

Other Awards with respect to shares of Common Stock under the 2013 Equity Plan may be paid in shares of Common Stock or cash, as the Board of Directors shall determine. The Board of Directors shall also determine the applicable terms and conditions of such Award.

### ***Transferability of Awards***

Except as the Board of Directors may otherwise determine or provide in an Award, Awards may not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an incentive stock option, pursuant to a qualified domestic relations order; provided that a participant may transfer Awards to (i) one or more of the following members of the participant's family: spouse, former spouse, domestic partner sharing the participant's household, child (whether natural or adopted), stepchild, or grandchild; (ii) a trust in which the participant and/or one or more of the above-referenced family members of the participant have more than 50% of the beneficial interest; (iii) a foundation in which the participant and/or one or more of the above-referenced family members of the participant control the management of assets; or (iv) any other transferee specifically approved by the Board of Directors. During the life of the participant, Awards are exercisable only by the participant or a permitted transferee.

### ***Eligibility to Receive Awards***

Employees, officers, directors, consultants, and advisors of the Company and its subsidiaries may be granted Awards under the 2013 Equity Plan. As of December 31, 2017, we had a total of 2,216 employees (including six executive officers), four non-employee directors, and 134 consultants and advisors.

### ***Administration***

The Board of Directors administers the 2013 Equity Plan, and has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the 2013 Equity Plan and to interpret its provisions. Pursuant to the terms of the 2013 Equity Plan, the Board of Directors may delegate authority under the 2013 Equity Plan to one or more committees or subcommittees of the Board of Directors. The Board of Directors has authorized the Compensation Committee to administer certain aspects of the 2013 Equity Plan, including the grant of Awards under the 2013 Equity Plan, but excluding the right to amend the 2013 Equity Plan unless specifically delegated the right to do so by the Board of Directors.

### ***Acceleration***

The Board of Directors may, at any time, provide that any Award becomes immediately exercisable in whole or in part, free of some or all restrictions or conditions, or otherwise realizable in whole or in part.

### ***Limitation on Repricing***

Unless approved by our stockholders and except for permissible adjustments such as stock splits or reorganization events, the Company may not (i) amend any outstanding option or SAR granted under the 2013 Equity Plan to provide an exercise or measurement price that is lower than the then-current exercise or measurement price of such option or SAR, (ii) cancel any outstanding option or SAR (whether or not granted under the 2013 Equity Plan) and grant in substitution for that option or SAR any new Awards under the 2013 Equity Plan (other than substitute awards granted in connection with a merger with another entity or acquisition of the property or stock of an entity) covering the same or a different number of shares and having an exercise or measurement price lower than the then-current exercise or measurement price of the canceled option or SAR,



(iii) cancel in exchange for a cash payment an option or SAR with an exercise or measurement price above the then-current fair market value of the shares, or (iv) take any other action under the 2013 Equity Plan that constitutes a repricing under the rules of Nasdaq.

### ***Amendment or Termination***

The Board of Directors determines the effect on an Award of a holder's disability, death, termination or other cessation of employment, authorized leave of absence, or other change in employment status. No Awards may be granted under the 2013 Equity Plan after the expiration of 10 years from the 2013 Equity Plan's effective date in 2013, but Awards previously granted may extend beyond that date. In addition, no option or SAR may be granted with a term in excess of 10 years. The Board of Directors may, at any time, amend, suspend or terminate the 2013 Equity Plan, except that no amendment that would require stockholder approval under the rules of Nasdaq may be made effective until our stockholders approve such amendment.

### **Potential Costs, Dilution, and Burn Rate**

Over the life of the 2013 Equity Plan through April 12, 2018, we have granted options to purchase an aggregate of 2,420,000 shares of Common Stock. The following table summarizes the total number of shares of Common Stock subject to the stock options that were granted in each indicated year since the inception of the 2013 Equity Plan:

<b>Year</b>	<b>Number of Shares Subject to Option Grants</b>
2013	600,000
2014	745,000
2015	380,000
2016	45,000
2017	175,000
2018	475,000

Of the 2,420,000 shares of Common Stock subject to options granted over the life of the 2013 Equity Plan through April 12, 2018, (i) options to purchase an aggregate of 1,462,883 shares of Common Stock remain outstanding, and (ii) options to purchase an aggregate of 733,750 shares of Common Stock have been terminated in connection with the departures of certain employees from the Company and have been returned to the pool of authorized shares available for grant under the 2013 Equity Plan. If Amendment No. 4 is not approved by stockholders, there would be 13,750 shares of Common Stock authorized and available for grant under the Previously Amended 2013 Equity Plan immediately following the Annual Meeting, assuming no additional Awards are granted or terminated under the Previously Amended 2013 Equity Plan prior to the Annual Meeting. Shares available for grant under the 2013 Equity Plan are reduced by the automatic annual grants of options to our non-employee directors under the 2013 Equity Plan.

We recognize that equity Awards have potential costs and may dilute existing stockholders. The Compensation Committee reviews the objectives and costs of our equity program to balance the goal of compensating and motivating our employees against our stockholders' interest in limiting dilution from equity grants. In evaluating whether to adopt Amendment No. 4, the Board of Directors and the Compensation Committee, respectively, considered a number of measures of potential cost and dilution, such as the potential impact on earnings per share, equity overhang, and burn rate.

In connection with the adoption of Amendment No. 4 by the Board of Directors in March 2018, based on the assumption that all of the additional 600,000 shares would have a hypothetical exercise price of \$130.70 (which was based on the fair market value of our Common Stock on March 26, 2018), we estimated that the Company would

recognize a total aggregate accounting charge of approximately \$7.75 million per year over the

course of the standard four-year vesting period and the aggregate annual impact of such Awards on after-tax basic earnings per share would be \$(0.49) per year for each of the four years. Assuming the hypothetical strike price of \$130.70 per share, the Company could potentially realize approximately \$78.4 million in total cash proceeds over a four-year vesting period, if Amendment No. 4 is approved by stockholders and assuming all of the options to purchase an aggregate of 600,000 shares of Common Stock were outstanding and were exercised for cash. As of December 31, 2017, total share-based compensation expense recognized for 2017 was approximately \$14.3 million, and we estimated that the option awards granted under the 2013 Equity Plan outstanding as of March 31, 2018 were expected to result in additional share-based compensation expense of approximately \$40.0 million over the remaining weighted average vesting period of approximately 3.3 years.

As used here, equity overhang means the total number of shares of Common Stock subject to outstanding stock options plus the total number of shares of Common Stock available for grant, in each case under the 2013 Equity Plan, together as a percentage of (i) the total number of shares of Common Stock subject to outstanding stock options plus the total number of shares of Common Stock available for grant, in each case under the 2013 Equity Plan, plus (ii) the total number of shares outstanding of our class A and class B common stock. As of March 15, 2018, our equity overhang (excluding the total number of shares of Common Stock available for grant that are subject to stockholder approval of Amendment No. 4) was equal to 11.4%. If Amendment No. 4 is approved by our stockholders, this equity overhang (based on the equity Awards and shares outstanding as of March 15, 2018) will increase to 15.4%. We believe this percentage is comparable to the percentage of equity reserved for issuance under stockholder-approved equity incentive plans used in 2016 and 2017 by certain other technology companies that have a market cap of less than \$7 billion, including Tableau Software, Inc., Pegasystems, Inc., Progress Software Corporation and Aspen Technology Inc. Each of those companies reported information about their respective equity plans in documents filed with the SEC.

As used here, burn rate means shares subject to options granted during a fiscal year under the Previously Amended 2013 Equity Plan less option terminations during that fiscal year, together as a percentage of total shares of our class A and class B common stock outstanding. As of December 31, 2017, our burn rate for 2017 was 1.0%.

The Board of Directors expects that the increase in shares authorized for issuance under the 2013 Equity Plan pursuant to Amendment No. 4 would be used for the automatic annual grants to non-employee directors under the 2013 Equity Plan, as well as discretionary grants that the Compensation Committee may desire to make to new and existing key personnel. The Board of Directors and Compensation Committee continue to evaluate our needs and may propose additional grants under, or may consider additional amendments to increase the number of shares authorized for issuance under, the 2013 Equity Plan in the future.

### **Equity Compensation Plan Information**

For more information on our equity compensation plans, please see Executive and Director Compensation Equity Compensation Plan Information above.

### **Federal Tax Consequences**

The following is a summary of the United States federal income and employment tax consequences that generally will arise with respect to Awards granted under the 2013 Equity Plan and with respect to the sale of shares of Common Stock acquired under the 2013 Equity Plan. This summary is based on the federal tax laws in effect as of the date of this proxy statement. Changes to the laws could alter the tax consequences described below. In addition, this summary assumes that all Awards are exempt from, or comply with, the rules under Section 409A of the Code regarding nonqualified deferred compensation.



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***Incentive Stock Options***

In general, a participant will not recognize taxable income upon the grant or exercise of an incentive stock option. Also, except as described below, a participant will not recognize income upon exercise of an incentive stock option if the participant has been employed by the Company or a 50% or more-owned corporate subsidiary at all times beginning with the date of grant and ending three months before the date the participant exercises the option. Thus, income tax withholding, Federal Insurance Contributions Act ( FICA ) taxes (i.e., Social Security taxes up to applicable annual wage base and Medicare taxes), and, if the participant's income exceeds certain thresholds, the additional Medicare tax and the net investment income tax will not apply at the time of exercise. However, if at exercise, the participant has not been so employed during that time, the tax consequence will be the same as for Non-statutory Stock Options described below. Otherwise with respect to incentive stock options, a participant will recognize taxable income upon the sale of Common Stock acquired through the exercise of the option ( ISO Stock ). However, such income is generally not subject to income tax withholding and employment taxes, including FICA taxes and the additional Medicare tax (if applicable). The exercise of an incentive stock option, however, may subject the participant to the alternative minimum tax.

Generally, the tax consequences of selling ISO Stock will vary with the length of time that the participant has owned the ISO Stock at the time it is sold. If the participant sells ISO Stock after having owned it for more than two years from the date of grant and one year from the exercise date of the option, then the participant will recognize long-term capital gain in an amount equal to the excess of the sale price of the ISO Stock over the exercise price. In addition to income tax, the participant may be subject to the net investment income tax on the amount of the capital gain if the participant's income exceeds certain thresholds.

If the participant sells ISO Stock for more than the exercise price prior to having owned it for more than two years from the date of grant and one year from the exercise date (a Disqualifying Disposition ), then all or a portion of the gain recognized by the participant will be ordinary compensation income and the remaining gain, if any, will be a capital gain. The portion of the gain treated as ordinary compensation income is based on the excess of the fair market value on the exercise date over the exercise price. No portion of the ordinary compensation income is subject to income tax withholding (although it is subject to income tax), FICA taxes, the additional Medicare tax, or the net investment income tax. The capital gain portion will be treated as long-term capital gain if the participant has held the ISO Stock for more than one year prior to the date of sale. In addition to income tax, the portion of the recognized gain that is treated as a capital gain may be subject to the net investment income tax, if the participant's income exceeds certain thresholds.

If a participant sells ISO Stock for less than the exercise price, then the participant will recognize capital loss in an amount equal to the excess of the exercise price over the sale price of the ISO Stock. This capital loss will be a long-term capital loss if the participant has held the ISO Stock for more than one year prior to the date of sale.

***Non-statutory Stock Options***

As in the case of an incentive stock option, a participant will not recognize taxable income upon the grant of a non-statutory stock option. Unlike the case of an incentive stock option, however, a participant who exercises a non-statutory stock option generally will recognize ordinary compensation income in an amount equal to the excess of the fair market value of the Common Stock acquired through the exercise of the option ( NSO Stock ) on the exercise date over the exercise price. In addition to income tax withholding, the ordinary compensation income is generally subject to FICA taxes, including, if the participant's income exceeds certain thresholds, the additional Medicare tax.

With respect to any NSO Stock, a participant will have a tax basis equal to the exercise price plus any income recognized upon the exercise of the option. Upon selling NSO Stock, a participant generally will recognize capital gain or loss in an amount equal to the difference between the sale price of the NSO Stock and



the participant's tax basis in the NSO Stock. This capital gain or loss will be a long-term gain or loss if the participant has held the NSO Stock for more than one year prior to the date of the sale. In addition to income tax, any capital gain recognized may be subject to the net investment income tax, if the participant's income exceeds certain thresholds.

### ***Restricted Stock***

A participant acquiring restricted stock generally will recognize ordinary income equal to the fair market value of the shares on the vesting date. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes, including FICA taxes, and, if the participant's aggregate wages for the year exceed \$200,000, the additional Medicare tax. The participant may elect, pursuant to Section 83(b) of the Code, to accelerate the ordinary income tax event to the date the award is granted to the participant by filing an election with the Internal Revenue Service no later than 30 days after the date the award is granted. Upon the sale of shares acquired pursuant to a restricted stock award, any gain or loss, based on the difference between the sale price and the fair market value on the date the ordinary income tax event occurs, will be taxed as capital gain or loss, with the gain or loss being long-term if the participant held the shares for more than one year after vesting (if participant did not make an 83(b) election) or grant (if participant made an 83(b) election) and otherwise will be short-term. In addition to income tax, any capital gain recognized may be subject to the net investment income tax, if the participant's income exceeds certain thresholds.

### ***Restricted Stock Units***

There are no immediate tax consequences of receiving an Award of restricted stock units. A participant who is awarded restricted stock units will be deemed to have wages subject to FICA taxes, including the additional Medicare tax (if applicable), based on the value of the restricted stock units at the end of the applicable vesting period. For income tax withholding purposes, a participant who is awarded restricted stock units will be required to recognize ordinary income in an amount equal to the fair market value of shares issued to such participant (or the cash paid in settlement of the restricted stock units in lieu of shares) on the settlement date elected by the Compensation Committee or a participant. Any additional gain or loss recognized upon any later disposition of any shares received would be capital gain or loss, with the gain or loss being long-term if the participant held the shares for more than one year after receipt and otherwise being short-term. In addition to income tax, any capital gain recognized may be subject to the net investment income tax, if the participant's income exceeds certain thresholds. A cash payment in lieu of shares would be treated as ordinary compensation income.

### ***Stock Appreciation Rights***

In general, no taxable income is reportable when a SAR is granted to a participant. Upon exercise, the participant will recognize ordinary income in an amount equal to the fair market value of any shares of Common Stock received. If the participant is an employee, such ordinary income is generally subject to withholding of income taxes and FICA taxes, including the additional Medicare tax (if applicable). Any additional gain or loss recognized upon any later disposition of the shares would be capital gain or loss, with the gain or loss being long-term if the participant held the shares for more than one year after receipt and otherwise being short-term. In addition to income tax, any capital gain recognized may be subject to the net investment income tax, if the participant's income exceeds certain thresholds.

### ***Other Stock-Based Awards***

The tax consequences associated with any other stock-based award granted under the 2013 Equity Plan will vary depending on the specific terms of such Award. Among the relevant factors are whether or not the Award has a readily ascertainable fair market value, whether or not the Award is subject to forfeiture provisions or restrictions on transfer, the nature of the property to be received by the participant under the Award, and the participant's holding period and tax basis for the Award or underlying common stock.



***Tax Consequences to the Company***

In general, when a participant recognizes ordinary income from the exercise of non-statutory stock options, restricted stock, restricted stock units, SARs, or other stock-based awards, the Company is liable for FUTA tax and the employer's share of FICA taxes on the ordinary income recognized. There will be no other tax consequences to the Company except that we will be entitled to a deduction when a participant has compensation income. Any such deduction will be subject to the limitations of Section 162(m).

**Certain Interests of Executive Officers and Directors**

In considering the recommendation of the Board of Directors with respect to Amendment No. 4 to the Previously Amended 2013 Equity Plan, stockholders should be aware that members of the Board of Directors and our executive officers are eligible to receive Awards under the 2013 Equity Plan and, accordingly, may from time to time have interests that present them with conflicts of interest in connection with this proposal to approve Amendment No. 4. As of April 12, 2018, there were 613,750 shares of Common Stock authorized and available for grant under the 2013 Equity Plan (inclusive of the 600,000 shares of Common Stock subject to stockholder approval of Amendment No. 4) and, under the 2013 Equity Plan, the Company's non-employee directors are entitled to automatic annual stock option grants with respect to 5,000 shares of Common Stock per director, per year.

The Board of Directors believes that approval of Amendment No. 4 to the Previously Amended 2013 Equity Plan will advance the interests of the Company and its stockholders by providing the Company with flexibility to issue additional Awards to key personnel and encouraging Award recipients to make significant contributions to the long-term success of the Company.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE PROPOSED AMENDMENT NO. 4 TO THE MICROSTRATEGY INCORPORATED 2013 STOCK INCENTIVE PLAN TO, AMONG OTHER THINGS, INCREASE THE NUMBER OF SHARES OF CLASS A COMMON STOCK AUTHORIZED FOR ISSUANCE UNDER SUCH PLAN FROM 1,700,000 TO 2,300,000.**

**PROPOSAL 3**

**RATIFICATION OF THE SELECTION OF KPMG LLP AS THE  
COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2018**

The Audit Committee has selected, and the Board of Directors has ratified the Audit Committee's selection of, the firm of KPMG as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018. Although stockholder approval of the selection of KPMG is not required by law, the Company believes that it is advisable to give stockholders an opportunity to ratify this selection. If this Proposal 3 is not approved at the Annual Meeting, the Audit Committee may reconsider its selection of KPMG.

Representatives of KPMG are expected to be present at the Annual Meeting and available to respond to appropriate questions from stockholders, and will have the opportunity to make a statement if they desire to do so.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF KPMG.**

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES AND SERVICES

### Fees and Services

Aggregate fees for professional services rendered by KPMG to us for work performed during and related to the fiscal years ended December 31, 2017 and 2016 are summarized in the table below.

Fee Category	Year Ended December 31,	
	2017 (\$)	2016 (\$)
Audit Fees	\$ 2,198,425	\$ 1,980,467
Audit-related Fees	30,000	30,000
Tax Fees		
All Other Fees		20,000
<b>Total Fees</b>	<b>2,228,425</b>	<b>2,030,467</b>

*Audit Fees.* This category includes fees for professional services rendered for the audits of our consolidated financial statements and statutory and subsidiary audits, services related to Sarbanes-Oxley Act compliance, and assistance with review of documents filed with the SEC.

*Audit-related Fees.* This category includes fees for assurance and related services in connection with employee benefit plan audits.

*Tax Fees.* This category includes fees for professional services rendered for tax reviews.

*All Other Fees.* This category includes fees for professional services rendered in connection with assessments of a new revenue recognition standard.

### Audit Committee Pre-Approval Policies and Procedures

During the fiscal years ended December 31, 2017 and 2016, the Audit Committee pre-approved all services (audit and non-audit) provided to MicroStrategy by our independent registered public accounting firm. In situations where a matter cannot wait until a full Audit Committee meeting, the Chairman of the Audit Committee has authority to consider and, if appropriate, approve audit and non-audit services. Any decision by the Chairman of the Audit Committee to pre-approve services must be presented to the full Audit Committee at its next scheduled quarterly meeting. The Audit Committee requires us to make required disclosure in our SEC periodic reports relating to the approval by the Audit Committee of audit and non-audit services to be performed by the independent registered public accounting firm and the fees paid by us for such services. All fees related to services performed by KPMG during the fiscal years ended December 31, 2017 and 2016, respectively, were approved by the Audit Committee.

## OTHER MATTERS

The Board of Directors does not know of any other matters that may come before the Annual Meeting. However, if any other matters are properly presented at the Annual Meeting, it is the intention of the persons named in the accompanying proxy to vote, or otherwise act, in accordance with their judgment on such matters.

All costs of solicitation of proxies will be borne by us. In addition to solicitations by mail, our directors, officers and employees, without additional remuneration, may solicit proxies by telephone and personal interviews, and we reserve

the right to retain outside agencies for the purpose of soliciting proxies. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting material to the owners of stock held in their names, and, as required by law, we will reimburse them for their out-of-pocket expenses in this regard.

### **Householding of Proxy Materials**

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for Notices of Internet Availability of Proxy Materials or other annual meeting materials with respect to two or more stockholders sharing the same address by delivering a single Notice of Internet Availability of Proxy Materials or other annual meeting materials addressed to those stockholders. This process, which is commonly referred to as "householding," is intended to provide extra convenience for stockholders and cost savings for companies.

A number of brokers, financial institutions and other nominees with account holders who are our stockholders will be householding our proxy materials. Under this practice, a single Notice of Internet Availability of Proxy Materials or other annual meeting materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from us (if you are a stockholder of record) or from your broker, financial institution or other nominee (if you are a beneficial owner) that we or they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate Notice of Internet Availability of Proxy Materials or other annual meeting materials, or if you currently receive multiple copies and would like to request householding of your communications, please notify us or your broker, financial institution or other nominee. You can submit your written request to us at MicroStrategy Incorporated, 1850 Towers Crescent Plaza, Tysons Corner, Virginia 22182, Attention: Investor Relations, or by calling 703-848-8600.

### **Stockholder Proposals**

Proposals of stockholders intended to be presented at the 2019 Annual Meeting of Stockholders, including director nominations described above under the caption "Corporate Governance and the Board of Directors and its Committees - Director Candidates," must be received by us at our principal offices, 1850 Towers Crescent Plaza, Tysons Corner, Virginia 22182 by December 21, 2018 for inclusion in the proxy materials for the 2019 Annual Meeting of Stockholders. MicroStrategy suggests that proponents submit their proposals by certified mail, return receipt requested, addressed to the Secretary of the Company.

If a stockholder wishes to present a proposal before the 2019 Annual Meeting of Stockholders, but does not wish to have the proposal considered for inclusion in our proxy statement and proxy card, such stockholder must also give written notice to the Secretary of the Company at the address noted above. The Secretary must receive such notice by March 6, 2019, and if a stockholder fails to provide such timely notice of a proposal to be presented at the 2019 Annual Meeting of Stockholders, the proxies designated by the Board of Directors will have discretionary authority to vote on any such proposal.

By Order of the Board of Directors,

W. Ming Shao

*Senior Executive Vice President,*

*General Counsel and Secretary*

April 19, 2018

**THE BOARD OF DIRECTORS HOPES THAT STOCKHOLDERS WILL ATTEND THE ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND, TO HELP ENSURE REPRESENTATION OF YOUR SHARES AT THE ANNUAL MEETING, YOU ARE URGED TO SUBMIT YOUR VOTING**

**INSTRUCTIONS OVER THE TELEPHONE OR ON THE INTERNET OR, IF YOU RECEIVED A PRINTED COPY OF THE PROXY MATERIALS, BY COMPLETING, SIGNING, DATING AND RETURNING YOUR PROXY CARD OR VOTING INSTRUCTION FORM. SUBMITTING VOTING INSTRUCTIONS OR A PROXY CARD WILL NOT PREVENT YOU FROM ATTENDING THE ANNUAL MEETING AND VOTING IN PERSON.**

**MICROSTRATEGY INCORPORATED**

**2013 STOCK INCENTIVE PLAN**

**(adopted by the Board of Directors on September 4, 2013,**

**Amendment No. 1 adopted by the Board of Directors on April 25, 2014,**

**Amendment No. 2 adopted by the Compensation Committee of the Board of Directors on April 30, 2014,**

**Amendment No. 3 adopted by the Board of Directors on October 23, 2015, and**

**Amendment No. 4 adopted by the Board of Directors on March 29, 2018)**

**1. Purpose**

The purpose of this 2013 Stock Incentive Plan (the "**Plan**") of MicroStrategy Incorporated, a Delaware corporation (the "**Company**"), is to advance the interests of the Company's stockholders by enhancing the Company's ability to attract, retain and motivate persons who are expected to make important contributions to the Company and by providing such persons with equity ownership opportunities and performance-based incentives that are intended to better align the interests of such persons with those of the Company's stockholders. Except where the context otherwise requires, the term "**Company**" shall include any of the Company's present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Internal Revenue Code of 1986, as amended, and any regulations thereunder (the "**Code**") and any other business venture (including, without limitation, joint venture or limited liability company) in which the Company has a controlling interest, as determined by the Board of Directors of the Company (the "**Board**").

**2. Eligibility**

All of the Company's employees, officers and directors, as well as consultants and advisors to the Company (as such terms are defined and interpreted for purposes of Form S-8 under the Securities Act of 1933, as amended (the "**Securities Act**"), or any successor form) are eligible to be granted Awards under the Plan. Each person who is granted an Award under the Plan is deemed a "**Participant**." **Award** means Options (as defined in Section 5), SARs (as defined in Section 6), Restricted Stock (as defined in Section 7), Restricted Stock Units (as defined in Section 7) and Other Stock-Based Awards (as defined in Section 8).

**3. Administration and Delegation**

(a) **Administration by Board of Directors.** The Plan will be administered by the Board. The Board shall have authority to grant Awards and to adopt, amend and repeal such administrative rules, guidelines and practices relating to the Plan as it shall deem advisable. The Board may construe and interpret the terms of the Plan and any Award agreements entered into under the Plan. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. All decisions by the Board shall be made in the Board's sole discretion and shall be final and binding on all persons having or claiming any interest in the Plan or in any Award.

(b) Appointment of Committees. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a **Committee**). All references in the Plan to the **Board** shall mean the Board or a Committee of the Board to the extent that the Board's powers or authority under the Plan have been delegated to such Committee.

#### 4. Stock Available for Awards

##### (a) Number of Shares; Share Counting.

(1) Authorized Number of Shares. Subject to adjustment under Section 9, Awards may be made under the Plan for up to 600,000 shares of class A common stock, \$0.001 par value per share, of the Company (the **Common Stock**), any or all of which Awards may be in the form of Incentive Stock Options (as defined in Section 5(b)). Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

(2) Share Counting. For purposes of counting the number of shares available for the grant of Awards under the Plan:

(A) all shares of Common Stock covered by SARs shall be counted against the number of shares available for the grant of Awards under the Plan and against the sublimit listed in Section 4(b); *provided, however*, that if the Company grants an SAR in tandem with an Option for the same number of shares of Common Stock and provides that only one such Award may be exercised (a **Tandem SAR**), only the shares covered by the Option, and not the shares covered by the Tandem SAR, shall be so counted, and the expiration of one in connection with the other's exercise will not restore shares to the Plan;

(B) if any Award (i) expires or is terminated, surrendered or canceled without having been fully exercised or is forfeited in whole or in part (including as the result of shares of Common Stock subject to such Award being repurchased by the Company at the original issuance price pursuant to a contractual repurchase right) or (ii) results in any Common Stock not being issued (including as a result of an SAR that was settleable either in cash or in stock actually being settled in cash), the unused Common Stock covered by such Award shall again be available for the grant of Awards; *provided, however*, that (1) in the case of Incentive Stock Options, the foregoing shall be subject to any limitations under the Code, (2) in the case of the exercise of an SAR, the number of shares counted against the shares available under the Plan and against the sublimit listed in Section 4(b) shall be the full number of shares subject to the SAR multiplied by the percentage of the SAR actually exercised, regardless of the number of shares actually used to settle such SAR upon exercise and (3) the shares covered by a Tandem SAR shall not again become available for grant upon the expiration or termination of such Tandem SAR;

(C) shares of Common Stock delivered (either by actual delivery, attestation, or net exercise) to the Company by a Participant to (i) purchase shares of Common Stock upon the exercise of an Award or (ii) satisfy tax withholding obligations (including shares retained from the Award creating the tax obligation) shall not be added back to the number of shares available for the future grant of Awards; and

(D) shares of Common Stock repurchased by the Company on the open market using the proceeds from the exercise of an Award shall not increase the number of shares available for future grant of Awards.

(b) Section 162(m) Per-Participant Limit. The maximum number of shares of Common Stock with respect to which Awards may be granted to any Participant under the Plan shall be 1,000,000 per calendar year. For purposes of the foregoing limit, the combination of an Option in tandem with an SAR shall be treated as a single Award. The share counting provisions set forth in Section 4(a) and the per Participant limit described in this Section 4(b) each shall be construed and applied consistently with Section 162(m) of the Code or any successor provision thereto, and the regulations thereunder ( **Section 162(m)** ).

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(c) Substitute Awards. In connection with a merger or consolidation of an entity with the Company or the acquisition by the Company of property or stock of an entity, the Board may grant Awards in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute Awards may be granted on such terms as the Board deems appropriate in the circumstances, notwithstanding any limitations on Awards contained in the Plan. Substitute Awards shall not count against the overall share limit set forth in Section 4(a)(1) or any sublimit contained in the Plan, except as may be required by reason of Section 422 and related provisions of the Code.

## 5. Stock Options

(a) General. The Board may grant options to purchase Common Stock (each, an **Option**) and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option, including conditions relating to applicable federal or state securities laws, as it considers necessary or advisable.

(b) Incentive Stock Options. An Option that the Board intends to be an incentive stock option as defined in Section 422 of the Code (an **Incentive Stock Option**) shall only be granted to employees of MicroStrategy Incorporated, any of MicroStrategy Incorporated's present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Code, and any other entities the employees of which are eligible to receive Incentive Stock Options under the Code, and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. An Option that is not intended to be an Incentive Stock Option shall be designated a **Nonstatutory Stock Option**. The Company shall have no liability to a Participant, or any other party, if an Option (or any part thereof) that is intended to be an Incentive Stock Option is not an Incentive Stock Option or if the Company converts an Incentive Stock Option to a Nonstatutory Stock Option.

(c) Exercise Price. The Board shall establish the exercise price of each Option and specify the exercise price in the applicable Option agreement. The exercise price shall be not less than 100% of the Fair Market Value per share of Common Stock on the date the Option is granted. If the Board approves the grant of an Option with an exercise price to be determined on a future date, the exercise price shall be not less than 100% of the Fair Market Value on such future date. For purposes of this Plan, unless otherwise expressly determined by the Board, the **Fair Market Value** of a share of Common Stock will be determined as follows:

(1) if the Common Stock trades on a national securities exchange, the closing sale price as officially quoted (for the primary trading session) on the date of determination;

(2) if the Common Stock does not trade on any such exchange, the average of the closing bid and asked prices as reported by an authorized OTCBB market data vendor as listed on the OTCBB website (otcbb.com) on the date of determination; or

(3) if the Common Stock is not publicly traded, the Board will determine the Fair Market Value for purposes of the Plan using any measure of value it determines to be appropriate (including, as it considers appropriate, relying on appraisals) in a manner consistent with the valuation principles under Section 409A of the Code, except as the Board may expressly determine otherwise.

For any date that is not a trading day, the Fair Market Value of a share of Common Stock for such date shall be determined by using the closing sale price or average of the closing bid and asked prices, as appropriate, for the immediately preceding trading day. The Board can substitute a particular time of day or other measure of closing sale price or bid and asked prices if appropriate because of exchange or market procedures or can, in its sole discretion, use weighted averages either on a daily basis or such longer period as complies with Code Section 409A.



The Board has sole discretion to determine the Fair Market Value for purposes of the Plan, and all Awards are conditioned on the participants' agreement that the Administrator's determination is conclusive and binding even though others might make a different determination.

(d) Duration of Options. Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable option agreement; *provided, however*, that no Option will be granted with a term in excess of 10 years.

(e) Exercise of Options. Options may be exercised by delivery to the Company of a notice of exercise in a form (which may be electronic) approved by the Company, together with payment in full (in the manner specified in Section 5(f)) of the exercise price for the number of shares for which the Option is exercised. Shares of Common Stock subject to the Option will be delivered by the Company as soon as practicable following exercise.

(f) Payment Upon Exercise. Common Stock purchased upon the exercise of an Option granted under the Plan shall be paid for as follows:

(1) in cash or by check, payable to the order of the Company;

(2) except as may otherwise be provided in the applicable Option agreement, or approved by the Board, in its sole discretion, by (i) delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price and any required tax withholding or (ii) delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price and any required tax withholding;

(3) to the extent provided for in the applicable Option agreement or approved by the Board, in its sole discretion, by delivery (either by actual delivery or attestation) of shares of Common Stock owned by the Participant valued at the per share Fair Market Value of the Common Stock; *provided* (i) such method of payment is then permitted under applicable law, (ii) such Common Stock, if acquired directly from the Company, was owned by the Participant for such minimum period of time, if any, as may be established by the Board in its discretion and (iii) such Common Stock is not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements;

(4) to the extent provided for in the applicable Nonstatutory Stock Option agreement or approved by the Board, in its sole discretion, by delivery of a notice of net exercise to the Company, as a result of which the Participant would receive (i) the number of shares underlying the portion of the Option being exercised, less (ii) such number of shares as is equal to (A) the aggregate exercise price for the portion of the Option being exercised divided by (B) the Fair Market Value on the date of exercise;

(5) to the extent permitted by applicable law and provided for in the applicable Option agreement or approved by the Board, in its sole discretion, by payment of such other lawful consideration as the Board may determine; or

(6) by any combination of the above permitted forms of payment.

(g) Limitation on Repricing. Unless such action is approved by the Company's stockholders, the Company may not (except as provided for under Section 9): (1) amend any outstanding Option granted under the Plan to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding Option, (2) except in connection with Section 4(c), cancel any outstanding option (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan covering the same or a different number of shares of Common Stock and having a measurement price or an exercise price per share lower than the then-current exercise price per share of the cancelled option, (3) cancel in exchange for a cash payment any outstanding

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Option with an exercise price per share above the then-current Fair Market Value, or (4) take any other action under the Plan that constitutes a repricing within the meaning of the rules of The NASDAQ Global Select Market ( *NASDAQ* ).

#### 6. Stock Appreciation Rights

(a) General. The Board may grant Awards consisting of stock appreciation rights ( *SARs* ) entitling the holder, upon exercise, to receive an amount of Common Stock determined by reference to appreciation, from and after the date of grant, in the Fair Market Value of a share of Common Stock over the measurement price established pursuant to Section 6(b). The date as of which such appreciation is determined shall be the exercise date.

(b) Measurement Price. The Board shall establish the measurement price of each SAR and specify it in the applicable SAR agreement. The measurement price shall be not less than 100% of the Fair Market Value on the date the SAR is granted. If the Board approves the grant of an SAR effective as of a future date, the measurement price shall be not less than 100% of the Fair Market Value on such future date.

(c) Duration of SARs. Each SAR shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable SAR agreement; *provided, however*, that no SAR will be granted with a term in excess of 10 years.

(d) Exercise of SARs. SARs may be exercised by delivery to the Company of a notice of exercise in a form (which may be electronic) approved by the Company, together with any other documents required by the Board.

(e) Limitation on Repricing. Unless such action is approved by the Company's stockholders, the Company may not (except as provided for under Section 9): (1) amend any outstanding SAR granted under the Plan to provide a measurement price per share that is lower than the then-current measurement price per share of such outstanding SAR, (2) except in connection with Section 4(c), cancel any outstanding SAR (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan covering the same or a different number of shares of Common Stock and having a measurement price or an exercise price per share lower than the then-current measurement price per share of the cancelled SAR, (3) cancel in exchange for a cash payment any outstanding SAR with a measurement price per share above the then-current Fair Market Value, or (4) take any other action under the Plan that constitutes a repricing within the meaning of the rules of NASDAQ.

#### 7. Restricted Stock; Restricted Stock Units

(a) General. The Board may grant Awards entitling recipients to acquire shares of Common Stock ( *Restricted Stock* ), subject to the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price (or to require forfeiture of such shares if issued at no cost) from the recipient in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award. The Board may also grant Awards entitling the recipient to receive shares of Common Stock or cash to be delivered at the time such Award vests ( *Restricted Stock Units* ) (Restricted Stock and Restricted Stock Units are each referred to herein as a *Restricted Stock Award* ).

(b) Terms and Conditions for All Restricted Stock Awards. The Board shall determine the terms and conditions of a Restricted Stock Award, including the conditions for vesting and repurchase (or forfeiture) and the issue price, if any.

(c) Additional Provisions Relating to Restricted Stock.

(1) Dividends. Unless otherwise provided in the applicable Award agreement, any dividends (whether paid in cash, stock or property) declared and paid by the Company with respect to shares of Restricted Stock ( *Accrued*

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**Dividends** ) shall be paid to the Participant only if and when such shares become free from the restrictions on transferability and forfeitability that apply to such shares. Each payment of Accrued Dividends will be made no later than the end of the calendar year in which the dividends are paid to stockholders of that class of stock or, if later, the 15th day of the third month following the lapsing of the restrictions on transferability and the forfeitability provisions applicable to the underlying shares of Restricted Stock.

(2) **Stock Certificates**. The Company may require that any stock certificates issued in respect of shares of Restricted Stock, as well as dividends or distributions paid on such Restricted Stock, shall be deposited in escrow by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). At the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or if the Participant has died, to his or her Designated Beneficiary. **Designated Beneficiary** means (i) the beneficiary designated, in a manner determined by the Board, by a Participant to receive amounts due or exercise rights of the Participant in the event of the Participant's death or (ii) in the absence of an effective designation by a Participant, the Participant's estate.

(d) Additional Provisions Relating to Restricted Stock Units.

(1) **Settlement**. Upon the vesting of and/or lapsing of any other restrictions (i.e., settlement) with respect to each Restricted Stock Unit, the Participant shall be entitled to receive from the Company the number of shares of Common Stock or the amount of cash provided in the applicable Award agreement. The Board may, in its discretion, provide that settlement of Restricted Stock Units shall be deferred, on a mandatory basis or at the election of the Participant in a manner that complies with Section 409A of the Code.

(2) **Voting Rights**. A Participant shall have no voting rights with respect to any Restricted Stock Units.

(3) **Dividend Equivalents**. The Award agreement for Restricted Stock Units may provide Participants with the right to receive an amount equal to any dividends or other distributions declared and paid on an equal number of outstanding shares of Common Stock ( **Dividend Equivalents** ). Dividend Equivalents may be paid currently or credited to an account for the Participant, may be settled in cash and/or shares of Common Stock and may be subject to the same restrictions on transfer and forfeitability as the Restricted Stock Units with respect to which paid, in each case to the extent provided in the Award agreement.

8. Other Stock-Based Awards

(a) **General**. Other Awards of shares of Common Stock, and other Awards that are valued in whole or in part by reference to, or are otherwise based on, shares of Common Stock or other property, may be granted hereunder to Participants ( **Other Stock-Based-Awards** ). Other Stock-Based Awards may be paid in shares of Common Stock or cash, as the Board shall determine.

(b) **Terms and Conditions**. Subject to the provisions of the Plan, the Board shall determine the terms and conditions of each Other Stock-Based Award, including any purchase price applicable thereto.

9. Adjustments for Changes in Common Stock and Certain Other Events

(a) **Changes in Capitalization**. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of Common Stock other than an ordinary cash dividend, (i) the number and class of securities available under the Plan, (ii) the share counting rules and sublimit set forth in Sections 4(a) and 4(b), (iii) the number and class of securities and exercise price per share of each outstanding Option, (iv) the share and per-share provisions and the measurement price of each outstanding SAR, (v) the number of shares subject to and the

repurchase price per share subject to each outstanding Restricted Stock Award and (vi) the share and per-share-related provisions and the purchase price, if any, of each outstanding Other Stock-Based

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Award, shall be equitably adjusted by the Company (or substituted Awards may be made, if applicable) in the manner determined by the Board. Without limiting the generality of the foregoing, in the event the Company effects a split of the Common Stock by means of a stock dividend and the exercise price of and the number of shares subject to an outstanding Option are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), then an optionee who exercises an Option between the record date and the distribution date for such stock dividend shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon such Option exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

(b) Reorganization Events.

(1) Definition. A **Reorganization Event** shall mean: (a) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (b) any transfer or disposition of all of the Common Stock of the Company for cash, securities or other property pursuant to a share exchange or other transaction or (c) any liquidation or dissolution of the Company.

(2) Consequences of a Reorganization Event on Awards Other than Restricted Stock.

(A) In connection with a Reorganization Event, the Board may take any one or more of the following actions as to all or any (or any portion of) outstanding Awards other than Restricted Stock on such terms as the Board determines (except to the extent specifically provided otherwise in an applicable Award agreement or another agreement between the Company and the Participant): (i) provide that such Awards shall be assumed, or substantially equivalent Awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to a Participant, provide that all of the Participant's unexercised Awards will terminate immediately prior to the consummation of such Reorganization Event unless exercised by the Participant (to the extent then exercisable) within a specified period following the date of such notice, (iii) provide that outstanding Awards shall become exercisable, realizable, or deliverable, or restrictions applicable to an Award shall lapse, in whole or in part prior to or upon such Reorganization Event, (iv) in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the **Acquisition Price**), make or provide for a cash payment to Participants with respect to each Award held by a Participant equal to (A) the number of shares of Common Stock subject to the vested portion of the Award (after giving effect to any acceleration of vesting that occurs upon or immediately prior to such Reorganization Event) multiplied by (B) the excess, if any, of (I) the Acquisition Price over (II) the exercise, measurement or purchase price of such Award and any applicable tax withholdings, in exchange for the termination of such Award, (v) provide that, in connection with a liquidation or dissolution of the Company, Awards shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise, measurement or purchase price thereof and any applicable tax withholdings) and (vi) any combination of the foregoing. In taking any of the actions permitted under this Section 9(b)(2), the Board shall not be obligated by the Plan to treat all Awards, all Awards held by a Participant, or all Awards of the same type, identically.

(B) Notwithstanding the terms of Section 9(b)(2)(A), in the case of outstanding Restricted Stock Units that are subject to Section 409A of the Code: (i) if the applicable Restricted Stock Unit agreement provides that the Restricted Stock Units shall be settled upon a "change in control event" within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(i), and the Reorganization Event constitutes such a "change in control event", then no assumption or substitution shall be permitted pursuant to Section 9(b)(2)(A)(i) and the Restricted Stock Units shall instead be settled in accordance with the terms of the applicable Restricted Stock Unit agreement; and (ii) the Board may only undertake the actions set forth in clauses (iii), (iv) or (v) of Section 9(b)(2)(A) if the Reorganization Event constitutes a "change in control event" as defined under Treasury Regulation Section 1.409A-3(i)(5)(i) and such action is permitted or required by Section 409A of the Code; if the Reorganization Event is not a "change in control event" as

so defined or such action is not permitted or required

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by Section 409A of the Code, and the acquiring or succeeding corporation does not assume or substitute the Restricted Stock Units pursuant to clause (i) of Section 9(b)(2)(A), then the unvested Restricted Stock Units shall terminate immediately prior to the consummation of the Reorganization Event without any payment in exchange therefor.

(C) For purposes of Section 9(b)(2)(A)(i), an Award (other than Restricted Stock) shall be considered assumed if, following consummation of the Reorganization Event, such Award confers the right to purchase or receive pursuant to the terms of such Award, for each share of Common Stock subject to the Award immediately prior to the consummation of the Reorganization Event, the consideration (whether cash, securities or other property) received as a result of the Reorganization Event by holders of Common Stock for each share of Common Stock held immediately prior to the consummation of the Reorganization Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); *provided, however*, that if the consideration received as a result of the Reorganization Event is not solely common stock of the acquiring or succeeding corporation (or an affiliate thereof), the Company may, with the consent of the acquiring or succeeding corporation, provide for the consideration to be received upon the exercise or settlement of the Award to consist solely of such number of shares of common stock of the acquiring or succeeding corporation (or an affiliate thereof) that the Board determined to be equivalent in value (as of the date of such determination or another date specified by the Board) to the per share consideration received by holders of outstanding shares of Common Stock as a result of the Reorganization Event.

(3) Consequences of a Reorganization Event on Restricted Stock. Upon the occurrence of a Reorganization Event other than a liquidation or dissolution of the Company, the repurchase and other rights of the Company with respect to outstanding Restricted Stock shall inure to the benefit of the Company's successor and shall, unless the Board determines otherwise, apply to the cash, securities or other property which the Common Stock was converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to such Restricted Stock; *provided, however*, that the Board may provide for termination or deemed satisfaction of such repurchase or other rights under the instrument evidencing any Restricted Stock or any other agreement between a Participant and the Company, either initially or by amendment. Upon the occurrence of a Reorganization Event involving the liquidation or dissolution of the Company, except to the extent specifically provided to the contrary in the instrument evidencing any Restricted Stock or any other agreement between a Participant and the Company, all restrictions and conditions on all Restricted Stock then outstanding shall automatically be deemed terminated or satisfied.

#### 10. General Provisions Applicable to Awards

(a) Transferability of Awards. Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an Incentive Stock Option, pursuant to a qualified domestic relations order, and, during the life of the Participant, shall be exercisable only by the Participant; *provided, however*, that the Board may permit or provide in an Award for the gratuitous transfer of the Award by the Participant to or for the benefit of any transferee if the Company would be eligible to use a Form S-8 under the Securities Act for the registration of the sale of the Common Stock subject to such Award to such proposed transferee; *provided further*, that the Company shall not be required to recognize any such permitted transfer until such time as such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument in form and substance satisfactory to the Company confirming that such transferee shall be bound by all of the terms and conditions of the Award. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees. For the avoidance of doubt, nothing contained in this Section 10(a) shall be deemed to restrict a transfer to the Company.

(b) Documentation. Each Award shall be evidenced in such form (written, electronic or otherwise) as the Board shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

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(c) Board Discretion. Except as otherwise provided by the Plan, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award need not be identical, and the Board need not treat Participants uniformly.

(d) Termination of Status. The Board shall determine the effect on an Award of the disability, death, termination or other cessation of employment, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, or the Participant's legal representative, conservator, guardian or Designated Beneficiary, may exercise rights under the Award.

(e) Withholding. The Participant must satisfy all applicable federal, state, and local or other income and employment tax withholding obligations before the Company will deliver stock certificates or otherwise recognize ownership of Common Stock under an Award. The Company may decide to satisfy the withholding obligations through additional withholding on salary or wages. If the Company elects not to or cannot withhold from other compensation, the Participant must pay the Company the full amount, if any, required for withholding or have a broker tender to the Company cash equal to the withholding obligations. Payment of withholding obligations is due before the Company will issue any shares on exercise, vesting or release from forfeiture of an Award or at the same time as payment of the exercise or purchase price, unless the Company determines otherwise. If provided for in an Award or approved by the Board, in its sole discretion, a Participant may satisfy such tax obligations in whole or in part by delivery (either by actual delivery or attestation) of shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value; *provided, however*, except as otherwise provided by the Board, that the total tax withholding where stock is being used to satisfy such tax obligations cannot exceed the Company's minimum statutory withholding obligations (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income). Shares used to satisfy tax withholding requirements cannot be subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

(f) Amendment of Award. Except as expressly provided in this Plan, including Sections 5(g) and 6(e), the Board may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonstatutory Stock Option. The Participant's consent to such action shall be required unless (i) the Board determines that the action, taking into account any related action, does not materially and adversely affect the Participant's rights under the Plan or (ii) the change is permitted under Section 9.

(g) Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously issued or delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and regulations and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(h) Acceleration. The Board may at any time provide that any Award shall become immediately exercisable in whole or in part, free of some or all restrictions or conditions, or otherwise realizable in whole or in part, as the case may be.

## 11. Miscellaneous

(a) No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award by virtue of the adoption of the Plan, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the

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right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award.

(b) No Rights As Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder of such shares.

(c) Effective Date and Term of Plan. The Plan shall become effective on the date the Plan is adopted by the Board of Directors of MicroStrategy Incorporated (the *Effective Date*); provided that no Award shall be made before stockholder approval of the Plan, unless the Award is conditioned upon stockholder approval of the Plan and the Award provides that (i) it will terminate or be forfeited if stockholder approval of the Plan is not obtained within 12 months from the date of the grant of such Award and (2) it may not be exercised or settled (or otherwise result in the issuance of Common Stock) prior to such stockholder approval. No Awards shall be granted under the Plan after the expiration of 10 years from the Effective Date, but Awards previously granted may extend beyond that date.

(d) Amendment of Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time provided that (i) to the extent required by Section 162(m), no Award granted to a Participant that is intended to comply with Section 162(m) after the date of such amendment shall become exercisable, realizable or vested, as applicable to such Award, unless and until the Company's stockholders approve such amendment in the manner required by Section 162(m); and (ii) no amendment that would require stockholder approval under the rules of NASDAQ may be made effective unless and until the Company's stockholders approve such amendment. In addition, if at any time the approval of the Company's stockholders is required as to any other modification or amendment under Section 422 of the Code or any successor provision with respect to Incentive Stock Options, the Board may not effect such modification or amendment without such approval. Unless otherwise specified in the amendment, any amendment to the Plan adopted in accordance with this Section 11(d) shall apply to, and be binding on the holders of, all Awards outstanding under the Plan at the time the amendment is adopted, provided the Board determines that such amendment, taking into account any related action, does not materially and adversely affect the rights of Participants under the Plan. No Award shall be made that is conditioned upon stockholder approval of any amendment to the Plan unless the Award provides that (i) it will terminate or be forfeited if stockholder approval of such amendment is not obtained within 12 months from the date of the grant of such Award and (2) it may not be exercised or settled (or otherwise result in the issuance of Common Stock) prior to such stockholder approval.

(e) Authorization of Sub-Plans (including for Grants to non-U.S. Employees). The Board may from time to time establish one or more sub-plans under the Plan for purposes of satisfying applicable securities, tax or other laws of various jurisdictions. The Board shall establish such sub-plans by adopting supplements to the Plan containing (i) such limitations on the Board's discretion under the Plan as the Board deems necessary or desirable or (ii) such additional terms and conditions not otherwise inconsistent with the Plan as the Board shall deem necessary or desirable. All supplements adopted by the Board shall be deemed to be part of the Plan, but each supplement shall apply only to Participants within the affected jurisdiction and the Company shall not be required to provide copies of any supplement to Participants in any jurisdiction which is not the subject of such supplement.

(f) Compliance with Section 409A of the Code. Except as provided in individual Award agreements initially or by amendment, if and to the extent (i) any portion of any payment, compensation or other benefit provided to a Participant pursuant to the Plan in connection with his or her employment termination constitutes nonqualified deferred compensation within the meaning of Section 409A of the Code and (ii) the Participant is a specified employee as defined in Section 409A(a)(2)(B)(i) of the Code, in each case as determined by the Company in accordance with its procedures, by which determinations the Participant (through accepting the Award) agrees that he or she is bound, such portion of the payment, compensation or other benefit shall not be paid before the day that is six months plus one day after the date of separation from service (as determined under

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Section 409A of the Code) (the ***New Payment Date*** ), except as Section 409A of the Code may then permit. The aggregate of any payments that otherwise would have been paid to the Participant during the period between the date of separation from service and the New Payment Date shall be paid to the Participant in a lump sum on such New Payment Date, and any remaining payments will be paid on their original schedule.

The Company makes no representations or warranty and shall have no liability to the Participant or any other person if any provisions of or payments, compensation or other benefits under the Plan are determined to constitute nonqualified deferred compensation subject to Section 409A of the Code but do not to satisfy the conditions of that section.

(g) **Limitations on Liability.** Notwithstanding any other provisions of the Plan, no individual acting as a director, officer, employee or agent of the Company will be liable to any Participant, former Participant, spouse, beneficiary, or any other person for any claim, loss, liability, or expense incurred in connection with the Plan, nor will such individual be personally liable with respect to the Plan because of any contract or other instrument he or she executes in his or her capacity as a director, officer, employee or agent of the Company. The Company will indemnify and hold harmless each director, officer, employee or agent of the Company to whom any duty or power relating to the administration or interpretation of the Plan has been or will be delegated, against any cost or expense (including attorneys' fees) or liability (including any sum paid in settlement of a claim with the Board's approval) arising out of any act or omission to act concerning the Plan unless arising out of such person's own fraud or bad faith.

(h) **Governing Law.** The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than the State of Delaware.

## **MICROSTRATEGY INCORPORATED**

### **Amendment No. 1 to**

### **2013 Stock Incentive Plan**

Pursuant to Section 11(d) of the 2013 Stock Incentive Plan (the ***Plan*** ) of MicroStrategy Incorporated (the ***Company*** ), the Plan is hereby amended as follows:

Section 4(a)(1) of the Plan is amended to read in its entirety as follows:

(1) **Authorized Number of Shares.** Subject to adjustment under Section 9, Awards may be made under the Plan for up to 1,500,000 shares of class A common stock, \$0.001 par value per share, of the Company (the ***Common Stock*** ), any or all of which Awards may be in the form of Incentive Stock Options (as defined in Section 5(b)). Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

This Amendment shall become effective on the date it is adopted by the Board; provided that, to the extent required, no Award shall be made pursuant to the Plan (other than an Award that would have been authorized under the Plan as in effect prior to this Amendment) before stockholder approval of this Amendment, unless the Award is conditioned upon stockholder approval of this Amendment and the Award provides that (1) it will terminate or be forfeited if stockholder approval of the Amendment is not obtained within 12 months from the date of the grant of such Award and (2) it may not be exercised or settled (or otherwise result in the issuance of Common Stock) prior to such stockholder approval.



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**MICROSTRATEGY INCORPORATED**

**Amendment No. 2 to**

**2013 Stock Incentive Plan**

Pursuant to Section 11(d) of the 2013 Stock Incentive Plan, as amended (the Plan ) of MicroStrategy Incorporated (the Company ), the Plan is hereby further amended as follows:

A new Section 5(h) shall be inserted in the Plan immediately following Section 5(g) of the Plan, to read in its entirety as follows:

**(h) Annual Stock Option Grants to Outside Directors.**

(1) **Annual Grant.** Beginning in 2015, on May 31 of each year, each Outside Director who is then serving as an Outside Director (as defined in Section 5(h)(4)) as of such date shall automatically be granted (without further action by the Board or any committee thereof) an Award consisting of a Nonstatutory Stock Option to purchase 5,000 shares of Common Stock (subject to adjustment pursuant to Section 9).

(2) **Terms of Annual Stock Option Grants.** Options granted under Section 5(h)(1) shall (i) have an exercise price equal to the Fair Market Value of the Common Stock on the date of grant; (ii) become exercisable as to 25% of the original number of shares subject to such option on the first anniversary of the date of grant and as to an additional 25% on each anniversary thereafter until such option becomes vested in full; (iii) unless earlier terminated, expire at 5:00 p.m., Eastern Time, on the tenth anniversary of the date of grant; and (iv) otherwise be on and subject to such other terms and conditions as are set forth in the option agreement with respect to such grant and as the Board may determine.

(3) **Limitations.** Notwithstanding Section 5(h)(1), in the event that the number of shares of Common Stock prescribed by Section 4(a)(1) is not sufficient to cover the Awards granted pursuant to Section 5(h)(1), the remaining shares of Common Stock available for issuance shall be prorated among the Outside Directors entitled to receive such Awards. Any further grants pursuant to Section 5(h)(1) shall then be deferred until such time, if any, as additional shares of Common Stock become available for grant under the Plan, whether pursuant to amendment of the Plan pursuant to Section 11(d) to increase the number of shares available for issuance under the Plan or pursuant to the mechanisms set forth in Section 4(a)(2)(B).

(4) **Definition.** An ***Outside Director*** shall mean a member of the Board who is not employed by the Company. Payments by the Company to a member of the Board solely in connection with providing services to the Company as a member of the Board shall not be sufficient to constitute employment by the Company.

This Amendment shall become effective on the date it is adopted by the Board; provided that, to the extent required, no Award shall be made pursuant to this Amendment before stockholder approval of this Amendment, unless the Award is conditioned upon stockholder approval of this Amendment and the Award provides that (1) it will terminate or be forfeited if stockholder approval of the Amendment is not obtained within 12 months from the date of the grant of such Award and (2) it may not be exercised or settled (or otherwise result in the issuance of Common Stock) prior to such stockholder approval.

**MICROSTRATEGY INCORPORATED**

**Amendment No. 3 to**

**2013 Stock Incentive Plan**

Pursuant to Section 11(d) of the 2013 Stock Incentive Plan (as previously amended, the Plan) of MicroStrategy Incorporated (the Company), the Plan is hereby amended as follows:

Section 4(a)(1) of the Plan is amended to read in its entirety as follows:

(1) Authorized Number of Shares. Subject to adjustment under Section 9, Awards may be made under the Plan for up to 1,700,000 shares of class A common stock, \$0.001 par value per share, of the Company (the **Common Stock**), any or all of which Awards may be in the form of Incentive Stock Options (as defined in Section 5(b)). Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

This Amendment shall become effective on the date it is adopted by the Board; provided that, to the extent required, no Award shall be made pursuant to the Plan (other than an Award that would have been authorized under the Plan as in effect prior to this Amendment) before stockholder approval of this Amendment, unless the Award is conditioned upon stockholder approval of this Amendment and the Award provides that (1) it will terminate or be forfeited if stockholder approval of the Amendment is not obtained within 12 months from the date of the grant of such Award and (2) it may not be exercised or settled (or otherwise result in the issuance of Common Stock) prior to such stockholder approval.

**MICROSTRATEGY INCORPORATED**

**Amendment No. 4 to**

**2013 Stock Incentive Plan**

Pursuant to Section 11(d) of the 2013 Stock Incentive Plan (as previously amended, the Plan) of MicroStrategy Incorporated (the Company), the Plan is hereby amended as follows:

1. Section 4(a)(1) of the Plan is amended to read in its entirety as follows:

Authorized Number of Shares. Subject to adjustment under Section 9, Awards may be made under the Plan for up to 2,300,000 shares of class A common stock, \$0.001 par value per share, of the Company (the **Common Stock**), any or all of which Awards may be in the form of Incentive Stock Options (as defined in Section 5(b)). Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

2. Section 4(b) of the Plan is amended to read in its entirety as follows:

Per-Participant Limit. The maximum number of shares of Common Stock with respect to which Awards may be granted to any Participant under the Plan shall be 1,000,000 per calendar year. For purposes of the foregoing limit, the combination of an Option in tandem with an SAR shall be treated as a single Award.

3. Section 10(e) of the Plan is amended to read in its entirety as follows:

Withholding. The Participant must satisfy all applicable federal, state, and local or other income and employment tax withholding obligations before the Company will deliver stock certificates or otherwise recognize ownership of

Common Stock under an Award. The Company may decide to satisfy the withholding

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obligations through additional withholding on salary or wages. If the Company elects not to or cannot withhold from other compensation, the Participant must pay the Company the full amount, if any, required for withholding or have a broker tender to the Company cash equal to the withholding obligations. Payment of withholding obligations is due before the Company will issue any shares on exercise, vesting or release from forfeiture of an Award or at the same time as payment of the exercise or purchase price, unless the Company determines otherwise. If provided for in an Award or approved by the Board, a Participant may satisfy the tax obligations in whole or in part by delivery (either by actual delivery or attestation) of shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value; *provided, however*, except as otherwise provided by the Board, that the total tax withholding where stock is being used to satisfy such tax obligations cannot exceed the Company's minimum statutory withholding obligations (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income), except that, to the extent that the Company is able to retain shares of Common Stock having a Fair Market Value that exceeds the statutory minimum applicable withholding tax without financial accounting implications or the Company is withholding in a jurisdiction that does not have a statutory minimum withholding tax, the Company may retain such number of shares of Common Stock (up to the number of shares having a Fair Market Value equal to the maximum individual statutory rate of tax) as the Company shall determine in its sole discretion to satisfy the tax liability associated with any Award. Shares used to satisfy tax withholding requirements cannot be subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

4. Section 11(d) of the Plan is amended to read in its entirety as follows:

Amendment of Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time provided that no amendment that would require stockholder approval under the rules of NASDAQ may be made effective unless and until the Company's stockholders approve such amendment. In addition, if at any time the approval of the Company's stockholders is required as to any other modification or amendment under Section 422 of the Code or any successor provision with respect to Incentive Stock Options, the Board may not effect such modification or amendment without such approval. Unless otherwise specified in the amendment, any amendment to the Plan adopted in accordance with this Section 11(d) shall apply to, and be binding on the holders of, all Awards outstanding under the Plan at the time the amendment is adopted, provided the Board determines that such amendment, taking into account any related action, does not materially and adversely affect the rights of Participants under the Plan. No Award shall be made that is conditioned upon stockholder approval of any amendment to the Plan unless the Award provides that (i) it will terminate or be forfeited if stockholder approval of such amendment is not obtained within 12 months from the date of the grant of such Award and (2) it may not be exercised or settled (or otherwise result in the issuance of Common Stock) prior to such stockholder approval.

This Amendment shall become effective on the date it is adopted by the Board; provided that, to the extent required, no Award shall be made pursuant to the Plan (other than an Award that would have been authorized under the Plan as in effect prior to this Amendment) before stockholder approval of this Amendment, unless the Award is conditioned upon stockholder approval of this Amendment and the Award provides that (1) it will terminate or be forfeited if stockholder approval of the Amendment is not obtained within 12 months from the date of the grant of such Award and (2) it may not be exercised or settled (or otherwise result in the issuance of Common Stock) prior to such stockholder approval.

**MICROSTRATEGY INCORPORATED**

**ATTN: GENERAL COUNSEL**

**1850 TOWERS CRESCENT PLAZA**

**TYSONS CORNER, VA 22182**

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time on May 29, 2018. Have your Proxy Card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time on May 29, 2018. Have your Proxy Card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Please fill in, date, and sign your Proxy Card and return it in the postage-paid envelope we have provided as soon as possible or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

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KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**MICROSTRATEGY  
INCORPORATED**

**Withhold**

**Authority**

**The Board of Directors  
recommends you vote FOR the  
following:**

	<b>For All</b>	<b>For All</b>	<b>For All</b>
	<b>Nominees</b>	<b>Nominees</b>	<b>Except</b>

To withhold authority to vote for any individual nominee(s), mark **For All Except** and write the number(s) of the nominee(s) for whom you wish to withhold authority on the line below.

1. To elect the following six (6) directors for the next year.

**Nominees:**

- 01) Michael J. Saylor
- 02) Margaret A. Brea
- 03) Stephen X. Graham
- 04) Jarrod M. Patten
- 05) Leslie J. Rechan
- 06) Carl J. Rickertsen

**The Board of Directors recommends you vote FOR the following proposals:**

**For   Against   Abstain**

2. To approve Amendment No. 4 to the MicroStrategy Incorporated 2013 Stock Incentive Plan to, among other things, increase the number of shares of class A common stock authorized for issuance under such plan from 1,700,000 to 2,300,000.

3. To ratify the selection of KPMG LLP as MicroStrategy Incorporated's independent registered public accounting firm for the fiscal year ending December 31, 2018.

To change the address on your account, please check the box at the right and indicate your new address in the address space on the back of this Proxy Card. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Please sign exactly as your name or names appear on this Proxy Card. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN      Date  
WITHIN BOX]

Signature (Joint Owners)      Date

**Notice of Internet Availability of Proxy Materials:**

The Annual Report and Notice of Meeting & Proxy Statement are available at [www.proxyvote.com](http://www.proxyvote.com).

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**MICROSTRATEGY INCORPORATED**

**Proxy for the Annual Meeting of Stockholders**

**to be held on Wednesday, May 30, 2018**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY**

The undersigned, revoking all prior proxies, hereby appoint(s) Michael J. Saylor, Phong Q. Le, and W. Ming Shao, and each of them, with full power of substitution, as proxies to represent and vote, as designated herein, all shares of stock of MicroStrategy Incorporated (the Company) which the undersigned would be entitled to vote if personally present at the Annual Meeting of Stockholders of the Company to be held at MicroStrategy's offices, 1850 Towers Crescent Plaza, Tysons Corner, Virginia 22182, on Wednesday, May 30, 2018 at 10:00 a.m., local time, and at any adjournment thereof (the Meeting).

In their discretion, the proxies are authorized to vote upon such other matters as may properly come before the Meeting.

**This proxy, when properly delivered, will be voted in the manner directed herein by the undersigned stockholder(s). If no direction is given, this proxy will be voted FOR Proposals 1, 2, and 3. This proxy may be revoked by the undersigned at any time before its exercise by delivery of written revocation or a subsequently dated Proxy Card to the Secretary of the Company or by voting in person at the Meeting.**

**Address Changes:**

(If you noted any Address Changes above, please mark corresponding box on the reverse side.)

**Continued and to be signed on reverse side**