

MICROSTRATEGY INC  
Form DEF 14A  
April 16, 2008

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

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

**MicroStrategy Incorporated**

(Name of Registrant as Specified In Its Charter)

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:

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(2) Aggregate number of securities to which the transaction applies:

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- (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):

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- (4) Proposed maximum aggregate value of the transaction:

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- (5) Total fee paid:

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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:

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

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- (3) Filing Party:

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- (4) Date Filed:

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April 15, 2008

Dear MicroStrategy Stockholder:

You are cordially invited to our Annual Meeting of Stockholders on Wednesday, May 14, 2008, beginning at 10:00 a.m., local time, at MicroStrategy's offices, 1861 International Drive, McLean, Virginia 22102. 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 stockholders vote **FOR** these proposals.

We look forward to seeing you there.

Very truly yours,

Michael J. Saylor

*Chairman of the Board, President and*

*Chief Executive Officer*

1861 International Drive

McLean, Virginia 22102

**Notice of Annual Meeting of Stockholders**

**to be held on Wednesday, May 14, 2008**

The Annual Meeting of Stockholders (the Annual Meeting ) of MicroStrategy Incorporated, a Delaware corporation (the Company ), will be held at MicroStrategy s offices, 1861 International Drive, McLean, Virginia 22102, on Wednesday, May 14, 2008, at 10:00 a.m., local time, to consider and act upon the following matters:

1. To elect eight (8) directors for the next year;
2. To ratify the selection of Grant Thornton LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2008; and
3. To 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 7, 2008 will be entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

By Order of the Board of Directors,

Sanju K. Bansal

*Vice Chairman, Executive Vice President,*

*Chief Operating Officer and Secretary*

McLean, Virginia

April 15, 2008

**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 COPY 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 7, 2008 WILL BE ADEQUATE IDENTIFICATION.**

**WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO HELP ENSURE REPRESENTATION OF YOUR SHARES AT THE ANNUAL MEETING. NO POSTAGE NEED BE AFFIXED IF THE PROXY IS MAILED IN THE UNITED STATES.**

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**MICROSTRATEGY INCORPORATED**

**1861 International Drive**

**McLean, Virginia 22102**

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

**to be held on Wednesday, May 14, 2008**

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 14, 2008, at MicroStrategy's offices, 1861 International Drive, McLean, Virginia 22102 at 10:00 a.m., local time, and at any adjournment thereof. All executed proxies will be voted in accordance with the stockholders' instructions, and if no choice is specified, executed proxies will be voted in favor of the matters set forth in the accompanying Notice of Annual Meeting of Stockholders. Any proxy 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 by voting in person at the Annual Meeting.

On April 7, 2008, the record date for the determination of stockholders entitled to vote at the Annual Meeting, there were outstanding and entitled to vote an aggregate of 9,108,776 shares of our class A common stock, par value \$0.001 per share, and an aggregate of 2,770,244 shares of our class B common stock, par value \$0.001 per share (the class A common stock and the class B common stock are collectively referred to as the 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.

Our Annual Report to Stockholders for 2007 is being mailed to stockholders, along with these proxy materials, on or about April 25, 2008. Our Annual Report to Stockholders includes our Annual Report on Form 10-K for 2007 as filed with the Securities and Exchange Commission, or SEC, except for any exhibits thereto. We will provide such exhibits to any stockholder upon written request. Please address requests to MicroStrategy Incorporated, Attention: Secretary, 1861 International Drive, McLean, Virginia 22102.

**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 the holders 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 the ratification of the selection of Grant Thornton LLP ( Grant Thornton ) as our independent registered public accounting firm for the fiscal year ending December 31, 2008 (Proposal 2).

Shares which abstain from voting as to a particular matter, and shares held in street name by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular matter, will not be counted as votes in favor of such matter, and will also not be counted as shares voting on such matter. Accordingly, abstentions and broker non-votes will have no effect on the voting on the proposals referenced above.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on May 14, 2008**

The Notice of Annual Meeting, Proxy Statement and Annual Report on Form 10-K for the fiscal year ended December 31, 2007 are available on our website at <http://ir.microstrategy.com/financials.cfm>.

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth the beneficial ownership of our Common Stock as of March 15, 2008, 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 the executive officers named in the Summary Compensation Table set forth under the caption Executive and Director Compensation below, and

all directors and executive officers as a group.

| Beneficial Owner (1)  | Number of Shares<br>Beneficially<br>Owned (2)(3) | Percentage of Shares of<br>Class A Common Stock<br>Outstanding (3)(4) |
|---|--|---|
| Michael J. Saylor (5)   | 2,829,382  | 23.7%   |
| Sanju K. Bansal (6)   | 396,462  | 4.2   |
| Arthur S. Locke, III (7)  | 8,678  | *   |
| Jonathan F. Klein (8)   | 87,807   | 1.0   |
| Paul N. Zolfaghari (9)  | 15,166   | *   |
| Matthew W. Calkins  |  | *   |
| Robert H. Epstein (10)  | 200  | *   |
| David W. LaRue  |  | *   |
| Jarrold M. Patten   |  | *   |
| Carl J. Rickertsen (11)   | 15,000   | *   |
| Thomas P. Spahr (12)  | 21,400   | *   |
| Renaissance Technologies LLC and an affiliate (13)                | 704,000  | 7.7   |
| Goldman Sachs Asset Management, L.P. (14)                         | 627,880  | 6.9   |
| Citadel Investment Group, L.L.C. and affiliates (15)              | 518,465  | 5.7   |
| All directors and executive officers as a group (13 persons) (16) | 3,506,706  | 28.0%   |

\* Less than 1%.

- (1) Each beneficial owner named in the table above (except as otherwise indicated in the footnotes below) has an address in care of MicroStrategy Incorporated, 1861 International Drive, McLean, Virginia 22102.
- (2) The shares listed in this table include shares of class A common stock and class B common stock, as set forth in the footnotes below. Shares of class B common stock are convertible into the same number of shares of class A common stock at any time at the option of the holder.
- (3) The inclusion of any shares of Common Stock deemed beneficially owned does not constitute an admission of beneficial ownership of those shares. In accordance with the rules of the SEC, each stockholder is deemed to beneficially own any shares subject to stock options that are exercisable on or within 60 days after March 15, 2008. Any reference below to shares subject to outstanding stock options held by the person in question refers only to such stock options.

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- (4) With respect to our directors and officers, percentages in the table and these footnotes have been calculated based on 9,106,856 shares of class A common stock and 2,770,244 shares of class B common stock outstanding as of March 15, 2008. In addition, for the purpose of calculating each director or officer's percentage of shares outstanding, any shares of class A common stock subject to outstanding stock options held by such person which are exercisable on or within 60 days after March 15, 2008 and any shares of class B common stock held by such person are deemed to be outstanding shares of class A common stock.
- (5) Mr. Saylor's holdings of Common Stock consist of 2,429,582 shares of class B common stock (or approximately 87.7% of the class B common stock outstanding) owned by Alcantara LLC, which is wholly

owned by Mr. Saylor, and options exercisable on or within 60 days after March 15, 2008 to purchase 399,800 shares of class A common stock.

- (6) Mr. Bansal's holdings of Common Stock consist of 280,000 shares of class B common stock owned by Shangri-La LLC, which is wholly owned by Mr. Bansal, 40,662 shares of class B common stock held in Mr. Bansal's own name (collectively constituting approximately 11.6% of the class B common stock outstanding), 50,000 shares of class A common stock held in Mr. Bansal's own name, 5,800 shares of class A common stock owned by a foundation for which Mr. Bansal acts as the sole trustee and options exercisable by Mr. Bansal on or within 60 days after March 15, 2008 to purchase 20,000 shares of class A common stock.
- (7) Mr. Locke's holdings of Common Stock consist of options exercisable on or within 60 days after March 15, 2008 to purchase 8,678 shares of class A common stock.
- (8) Mr. Klein's holdings of Common Stock consist of options exercisable on or within 60 days after March 15, 2008 to purchase 87,807 shares of class A common stock.
- (9) Mr. Zolfaghari's holdings of Common Stock consist of 166 shares of class A common stock and options exercisable on or within 60 days after March 15, 2008 to purchase 15,000 shares of class A common stock.
- (10) Mr. Epstein's holdings of Common Stock consist of 200 shares of class A common stock.
- (11) Mr. Rickertsen's holdings of Common Stock consist of 3,000 shares of class A common stock and options exercisable on or within 60 days after March 15, 2008 to purchase 12,000 shares of class A common stock.
- (12) Mr. Spahr's holdings of Common Stock consist of 20,000 shares of class B common stock held in his own name (approximately 0.7% of the class B common stock outstanding) and 1,400 shares of class A common stock owned by a foundation for which Mr. Spahr acts as the President and a Director.
- (13) Beneficial ownership is as of December 31, 2007, based on a Schedule 13G/A filed on February 13, 2008 with the SEC by Renaissance Technologies LLC and James H. Simons. Renaissance beneficially owns 704,000 shares of class A common stock, for which it has sole voting power and sole dispositive power. Mr. Simons beneficially owns 704,000 shares of class A common stock held by Renaissance, for which he has sole voting power and sole dispositive power. The address of Renaissance and Mr. Simons is 800 Third Avenue, New York, New York 10022.
- (14) Beneficial ownership is as of December 31, 2007, based on a Schedule 13G/A filed on February 1, 2008 with the SEC by Goldman Sachs Asset Management, L.P. Goldman beneficially owns 627,880 shares of class A common stock, for which it has sole voting power as to 592,909 shares and sole dispositive power as to 617,910 shares. Goldman disclaims beneficial ownership of any securities managed, on Goldman's behalf, by third parties. The address of Goldman Sachs Asset Management, L.P. is 32 Old Slip, New York, New York 10005.
- (15) Beneficial ownership is as of January 24, 2008, based on a Schedule 13G filed on February 4, 2008 with the SEC by Citadel Investment Group, L.L.C., Citadel Investment Group II, L.L.C., Citadel Limited Partnership, Kenneth Griffin, Citadel Holdings I LP, Citadel Holdings II LP, Citadel Advisors LLC, Citadel Equity Fund Ltd., Citadel Derivatives Group LLC and Citadel Derivatives Trading Ltd. Each filer beneficially owns 518,465 shares of class A common stock, for which it has shared voting power and shared dispositive power. The address of each of the Citadel filers is c/o Citadel Investment Group, L.L.C., 131 S. Dearborn Street 32nd Floor, Chicago, Illinois 60603.



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- (16) Shares held by the directors and executive officers as a group consists of 68,762 shares of class A common stock, options to purchase 667,700 shares of class A common stock that are exercisable on or within 60 days after March 15, 2008 and 2,770,244 shares of class B common stock (100.0% of the class B common stock outstanding), which shares 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 March 15, 2008 are as follows:

| <b>Name</b>          | <b>Age</b> | <b>Title</b>  |
|----------------------|------------|---|
| Michael J. Saylor    | 43         | Chairman of the Board of Directors, President and Chief Executive Officer |
| Sanju K. Bansal      | 42         | Vice Chairman, Executive Vice President and Chief Operating Officer       |
| Arthur S. Locke, III | 44         | Executive Vice President, Finance and Chief Financial Officer             |
| Jonathan F. Klein    | 41         | Executive Vice President, Law and General Counsel                         |
| Paul N. Zolfaghari   | 43         | Executive Vice President, Worldwide Sales and Operations                  |
| Jeffrey A. Bedell    | 39         | Executive Vice President, Technology and Chief Technology Officer         |
| Adam M. McDonald     | 33         | Executive Vice President, Worldwide Services                              |

Set forth below is certain information regarding the professional experience of each of the above-named persons.

*Michael J. Saylor* has served as chief executive officer and chairman of the Board of Directors since founding MicroStrategy in November 1989, and as president from November 1989 to November 2000 and since January 2005. 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.

*Sanju K. Bansal* has served as executive vice president and chief operating officer since 1993 and was previously vice president, consulting since joining MicroStrategy in 1990. He has been a member of the Board of Directors of MicroStrategy since September 1997 and has served as vice chairman of the Board of Directors since November 2000. Prior to joining MicroStrategy, Mr. Bansal was a consultant at Booz Allen & Hamilton, a worldwide technical and management consulting firm, from 1987 to 1990. Mr. Bansal received an S.B. in Electrical Engineering from the Massachusetts Institute of Technology and an M.S. in Computer Science from The Johns Hopkins University.

*Arthur S. Locke, III* has served as executive vice president, finance and chief financial officer since December 1, 2007, as vice president, finance and chief financial officer from January 2005 to December 2007, and was previously vice president, finance and worldwide controller since joining MicroStrategy in January 2001. Prior to joining MicroStrategy, Mr. Locke served as chief financial officer of Metropolitan Area Networks, a start-up wireless broadband company, from February 2000 to January 2001, and as corporate controller of EIS International, Inc., a publicly-traded provider of solutions and applications for the call center industry, from March 1997 to February 2000. Mr. Locke also served a total of five years with Deloitte & Touche and PricewaterhouseCoopers from 1986 to 1991. Mr. Locke is a certified public accountant and received a Bachelor of Science in Business Administration (BSBA) in Accounting and Computer Systems from American University.

*Jonathan F. Klein* has served as executive vice president, law and general counsel since December 1, 2007, as vice president, law and general counsel from November 1998 to December 2007, and as corporate counsel from June 1997 to November 1998. From September 1993 to June 1997, Mr. Klein was an appellate litigator with the United States Department of Justice. Mr. Klein received a B.A. in Economics from Amherst College and a J.D. from Harvard Law School.

*Paul N. Zolfaghari* has served as executive vice president, worldwide sales and operations since December 1, 2007, as vice president, worldwide sales and operations from August 2006 to December 2007, as vice president, worldwide business affairs from March 2005 to August 2006, as vice president & chief of staff from July 2003 to March 2005, as chief of staff from November 2000 to July 2003 and as assistant to the president & CEO from December 1999 to November 2000. Mr. Zolfaghari received a B.A. in English from Gettysburg College and a J.D. from the University of Pittsburgh.

*Jeffrey A. Bedell* has served as executive vice president, technology and chief technology officer since December 1, 2007, as vice president, technology and chief technology officer from April 2001 to December 2007, as vice president, platform technology from 1999 to 2001, and as senior program manager and director of technology programs from 1992 to 1999. Mr. Bedell received a B.A. in Religion from Dartmouth College.

*Adam M. McDonald* has served as executive vice president, worldwide services since December 1, 2007, as vice president, worldwide services from April 2005 to December 2007, as vice president, technology services from November 2000 to April 2005, as senior manager and director, advanced product support from 1999 to 2000, as manager, advanced product support from 1998 to 1999 and as technical support lead engineer from 1996 to 1998. Mr. McDonald received a B.A. in History from Dartmouth College.

## PROPOSAL 1

### ELECTION OF DIRECTORS

The Board of Directors proposes the election of the persons listed below as directors of the Company. Each current director of the Company has been nominated for re-election.

The persons named in the enclosed proxy will vote to elect as directors the eight 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 successor or his earlier death, resignation or removal).

#### Nominees

Set forth below, for each nominee, are his name and age, positions with the Company, principal occupation and business experience during at least the past five years and the year of commencement of his term as a director of the Company:

*Michael J. Saylor (43)* has served as chief executive officer and chairman of the Board of Directors since founding MicroStrategy in November 1989, and as president from November 1989 to November 2000 and since January 2005. 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.

*Sanju K. Bansal (42)* has served as executive vice president and chief operating officer since 1993 and was previously vice president, consulting since joining MicroStrategy in 1990. He has been a member of the Board of Directors of MicroStrategy since September 1997 and has served as vice chairman of the Board of Directors since November 2000. Prior to joining MicroStrategy, Mr. Bansal was a consultant at Booz Allen & Hamilton, a worldwide technical and management consulting firm, from 1987 to 1990. Mr. Bansal received an S.B. in Electrical Engineering from the Massachusetts Institute of Technology and an M.S. in Computer Science from The Johns Hopkins University.

*Matthew W. Calkins (35)* has been a member of the Board of Directors of MicroStrategy since November 2004. In 1999, Mr. Calkins founded Appian Corporation, a privately-held business process management company, where he has served as the president and chief executive officer since its founding. Mr. Calkins received a B.A. in Economics from Dartmouth College.

*Robert H. Epstein (55)* has been a member of the Board of Directors of MicroStrategy since January 2006. Mr. Epstein is currently president and chief executive officer of Takeda Lase, Inc., a trading and distribution

company for various Asian textile manufacturing firms. From May 2002 to October 2007, Mr. Epstein was president and chief executive officer of Takeda Lace USA, Inc., the U.S. subsidiary of Japan-based textile manufacturer Takeda Lace Co., Ltd. From October 2001 to May 2002, Mr. Epstein pursued various business opportunities, including serving as a consultant for Warnaco Inc., an apparel manufacturer. From June 1978 to October 2001, Mr. Epstein served in various positions at textile manufacturer Liberty Fabrics of New York, Inc., concluding his tenure as division president and chief operating officer. Mr. Epstein received a B.S. in Psychology from Columbia University and did coursework at the Stern School of Business at New York University.

*David W. LaRue (57)* has been a member of the Board of Directors of MicroStrategy since February 2006. In 1983, Dr. LaRue joined the faculty of the University of Virginia's McIntire School of Commerce, where he develops and teaches graduate and undergraduate courses in the fields of finance, accounting and taxation. From July 2000 to December 2005, Dr. LaRue served as the Director of the Graduate Accounting Program at the McIntire School of Commerce. Dr. LaRue received a B.B.A. in Production Logistics Management, an M.S. in Accountancy, Accounting and Taxation, and a Ph.D. in Accounting, Taxation and Economics from the University of Houston.

*Jarrod M. Patten (36)* has been a member of the Board of Directors of MicroStrategy since November 2004. In 1996, Mr. Patten founded Real Estate Resource Group, L.L.C. and has served as the president and chief executive officer since its founding. Real Estate Resource Group, L.L.C. develops and implements lease auditing programs and cost containment strategies designed to tighten corporate controls and increase operating efficiencies. 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.

*Carl J. Rickertsen (48)* 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 is also a member of the board of directors of Convera Corporation, a publicly-traded search-engine software company and United Agri Products, 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.

*Thomas P. Spahr (43)* has been a member of the Board of Directors of MicroStrategy since January 2006. Mr. Spahr is currently president of Libra Ventures, LLC, a start-up web based applications design company, a position he has held since November 2004. Since February 2004, Mr. Spahr has also been serving as Vice President, Secretary, and Vice President of Business Development for Jex Technologies, Inc., a technology company focusing on automating health care logistics. From June 2001 to February 2004, Mr. Spahr was an independent investor. From 1996 to June 2001, Mr. Spahr served in various positions at MicroStrategy, concluding his tenure as Vice President, Information Systems and Chief Information Officer. Mr. Spahr received an S.B. Degree in Aeronautics and Astronautics from the Massachusetts Institute of Technology.

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

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**CORPORATE GOVERNANCE AND**

**THE BOARD OF DIRECTORS AND ITS COMMITTEES**

**Related Person Transactions Policy**

We have adopted formal written policies and procedures 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. The policy covers any transaction since the beginning of the last fiscal year, or any currently proposed 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 as our directors, director nominees and executive officers since the beginning of our last fiscal year, beneficial owners of more than 5% of any class of our voting securities, members of their respective immediate family, and any entity in which the foregoing persons 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 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 the next meeting of the Committee. 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 the next meeting of the Audit Committee. If the General Counsel first learns of a related person transaction after such transaction has already taken place, the Audit Committee must review and, in its discretion, may ratify the related person transaction at its next meeting. Transactions involving compensation of executive officers also require the review and approval of the Compensation Committee.

The Audit Committee may approve or ratify the 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 interests, including related person transactions, to the Audit Committee. Under our Code of Conduct, all employees are required to report any transaction or relationship that reasonably could be expected to give rise to a conflict of interest 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,

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among other things, their immediate family members, employment and beneficial ownership interests, which information is then reviewed for any conflicts of interest under the Code of Conduct

and for any related person transaction under the policy. In addition, our internal audit function has processes in place, under our written procedure policies, to identify potential conflicts of interest and report them to management or the Audit Committee, as appropriate.

There have been no related person transactions required to be reported pursuant to rules or regulations promulgated by the Securities Exchange Act since the beginning of 2007.

#### **Board of Directors**

Our Board of Directors is currently comprised of Messrs. Saylor, Bansal, Calkins, Epstein, LaRue, Patten, Rickertsen and Spahr. The Board of Directors met four times during 2007. Each director who served on the Board of Directors during 2007 attended at least 75% of the aggregate number of meetings of the Board of Directors and its committees on which he served. The Board of Directors has determined that each of the non-employee directors of the Company (Messrs. Calkins, Epstein, LaRue, Patten, Rickertsen and Spahr), who collectively constitute a majority of the Board, is an independent director as defined in Rule 4200(a)(15) of the Marketplace Rules of The Nasdaq Stock Market, Inc. In the course of the Board's determination regarding the independence of Mr. Spahr, it considered Mr. Spahr's lease of Mr. Bansal's condominium located in Washington, D.C. for \$6,000 per month on a month-to-month basis. After considering various factors, including information provided by independent real estate agents on the market rate for condominiums similar to Mr. Bansal's unit, the Board determined that the lease transaction did not impair Mr. Spahr's status as an independent director.

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

#### **Audit Committee**

The Board of Directors has established a standing Audit Committee in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 and adopted the Sixth Amended and Restated Audit Committee Charter, which is publicly available on the Corporate Governance section of our website, [www.microstrategy.com](http://www.microstrategy.com). The Audit Committee of the Board of Directors provides the opportunity for direct contact between our independent registered public accounting firm and the Board of Directors.

The Audit Committee is currently comprised of Messrs. LaRue (Chairman), Calkins and Patten. The Audit Committee met six times (including one telephonic meeting) during 2007. Each director who served on the Audit Committee during 2007 attended all of the meetings of the Audit Committee except Mr. Calkins, who attended five of the six meetings.

The Board of Directors has determined that each member of the Audit Committee meets the Nasdaq Marketplace Rule definition of an independent director for audit committee purposes, as well as the independence requirements of Rule 10A-3 under the Securities Exchange Act. The Board of Directors has designated Mr. LaRue 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 an Amended and Restated Charter for the Compensation Committee which is publicly available on the Corporate Governance section of our website, [www.microstrategy.com](http://www.microstrategy.com). The Compensation Committee of the Board of Directors makes compensation decisions regarding our President and Chief Executive Officer and performs other functions related to compensation matters.

The Compensation Committee is currently comprised of Messrs. Rickertsen (Chairman) and Patten. The Compensation Committee held three telephonic meetings during 2007. Each member of the Compensation Committee attended all of the meetings of the Compensation Committee.

The Board of Directors has determined that each member of the Compensation Committee meets the Nasdaq Marketplace Rule definition of an independent director for compensation committee purposes. Each member of the Compensation Committee is also a non-employee director, as defined in Rule 16b-3 under the Securities Exchange Act, and an outside director under Section 162(m) of the Internal Revenue Code. Additional information regarding the Compensation Committee and its functions and responsibilities is included in this Proxy Statement under the caption Compensation Discussion and Analysis and Compensation Committee Report on Executive Compensation.

#### **Controlled Company**

We are a controlled company as defined in Rule 4350(c)(5) of the Nasdaq Marketplace Rules, because more than 50% of the voting power of the Company is controlled by our Chairman, President and Chief Executive Officer, Michael J. Saylor. As a controlled company under Nasdaq rules, the Board has determined that the Board, rather than a nominating committee, is the most appropriate body for identifying director candidates and selecting nominees to be presented at the Annual Meeting.

#### **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 will, from time to time, evaluate biographical information and background material relating to potential candidates and interview selected candidates. The Board does not currently have a charter or written policy with regard to the nomination process. We have not 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, the Board uses various criteria to evaluate each candidate, including an evaluation of each candidate's integrity, business acumen, knowledge of our business and industry, experience, diligence, conflicts of interest and the ability to act in the interests of our stockholders. The Board also considers whether a potential nominee would satisfy the Nasdaq Marketplace Rule definition of an independent director and the SEC's definition of an audit committee financial expert. The Board does not set specific minimum qualifications or assign specific weights to particular criteria and no particular criterion is a prerequisite for a prospective nominee. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities.

We do not have a formal policy with regard to the consideration of director candidates recommended by our stockholders because of our status as a controlled company under Nasdaq rules. Stockholder recommendations relating to director nominees or otherwise may be submitted in accordance with the procedures set forth below under the heading Stockholder Proposals. Any stockholder nominations proposed for consideration should include the nominee's name and qualifications. Any recommendations received from stockholders will be evaluated in the same manner that potential nominees recommended by Board members, management or other parties are evaluated. Stockholders may also send communications to the Board of Directors in accordance with the procedures set forth below under the heading Communicating with the Board of Directors.

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

Although we do not have a policy with regard to Board members' attendance at our annual meeting of stockholders, all directors are encouraged to attend the annual meeting. Five of the eight members of the Board of Directors attended the 2007 Annual Meeting of Stockholders.



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

Stockholders who wish to send communications to the Board may do so by writing to the Secretary of the Company, MicroStrategy Incorporated, 1861 International Drive, McLean, Virginia 22102. The mailing envelope must contain a clear notation indicating that the enclosed letter is a Stockholder-Board Communication. All such letters must identify the author as a stockholder and must include the stockholder's full name, address and a valid telephone number. The name of any specific intended Board recipient should be noted in the communication. The Secretary will forward any such correspondence to the intended recipients; however, prior to forwarding any such correspondence, 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, personal grievances or communications that relate to an improper or irrelevant topic or are otherwise inappropriate for the Board's consideration.

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

Section 16(a) of the Securities Exchange Act requires our directors, executive officers and holders of more than 10% of our class A common stock to file with the SEC initial reports of ownership of our class A common stock and other equity securities on a Form 3 and reports of changes in such ownership on a Form 4 or Form 5. Directors, executive officers and holders of 10% of our class A common stock are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on a review of our records and representations made by our directors and executive officers regarding their filing obligations, all Section 16(a) filing requirements were satisfied with respect to 2007.

### **Code of Ethics**

On March 5, 2004, the Board of Directors, through its Audit Committee, 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 is publicly available on the Corporate Governance section of our website, [www.microstrategy.com](http://www.microstrategy.com). 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, [www.microstrategy.com](http://www.microstrategy.com).

## EXECUTIVE AND DIRECTOR COMPENSATION

### Compensation Discussion and Analysis

#### Overview

The goal of our executive compensation program for the five executives who are identified in the Summary Compensation Table on page 18, whom we refer to as our named 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 programs are designed to recognize, reward and provide incentives for exceptional individual performance, superior financial and operating results and effective leadership. They are also designed to align our named executive officers' interests with those of our stockholders and to encourage both their performance and retention. These objectives serve as the basis for determining the overall compensation of each executive, considered in light of company performance.

#### Compensation Objectives

##### *Performance and Alignment*

Each of our named executive officers possesses skills, experience and qualities that make him a unique and valuable member of the management team. The compensation for our named executive officers reflects their abilities, superior management experience, continued high performance and their contribution to the leadership and management of their particular departments and the Company as a whole. We also seek to align the interests of our named executive officers with those of our stockholders by evaluating executive performance on the basis of key financial metrics that we believe reflect short-term and long-term stockholder value. Key elements of our executive compensation program that achieve these objectives include:

a base salary that rewards overall performance and sets future expectations for performance;

an incentive cash bonus that compensates our CEO based on our diluted earnings per share for the fiscal year;

a discretionary cash bonus for each of Messrs. Bansal, Locke and Klein that is based on a subjective assessment of his performance using quantitative and qualitative measures considered in light of our performance; and

an incentive cash bonus for Mr. Zolfaghari that is determined based on the contribution margins of our principal lines of business and growth in value of our maintenance contracts.

##### *Retention*

Because of their experience and talents, our executives are often presented with other professional opportunities, including ones at potentially higher compensation levels. We attempt to retain our executives by providing a base salary and overall compensation package that is market competitive.

#### Implementing Our Objectives

##### *Determining Compensation*

Our executive compensation decisions are based on a review of our performance and a subjective assessment of the executive's performance during the year against financial and strategic goals, taking into account the scope of the executive's responsibilities, his employment and compensation history with the Company, overall compensation arrangements and long-term potential to enhance stockholder value. Specific factors that may affect compensation decisions for the named executive officers include:

key financial metrics such as revenue, operating profit, earnings per share, and operating margins;

strategic objectives such as technological innovation, globalization, improvement in market position and feedback from customers;  
and

operational goals for the Company or a particular business department, including improved deployment of resources and expansion. In determining compensation for Mr. Saylor, our Chairman of the Board, Chief Executive Officer and President, the Compensation Committee additionally considers the compensation that our most direct competitors in the business intelligence software market, Business Objects and Cognos, pay to their chief executive officers to help ensure that we are able to retain Mr. Saylor by establishing a competitive compensation package, but the Compensation Committee does not conduct formal benchmarking studies. We have adopted incentive cash bonus plans for Mr. Saylor, and Mr. Zolfaghari, our Executive Vice President, Worldwide Sales and Operations, that measure performance against specific, pre-established metrics on a quarterly or an annual basis because we believe that their responsibilities can be tied to specific company-wide performance metrics. We generally do not adhere to rigid formulas with respect to the compensation of our other named executive officers because we believe that more qualitative and subjective evaluations are necessary in determining their appropriate levels of compensation. We incorporate flexibility into our compensation programs and in the assessment process to respond to and adjust for an evolving and dynamic business environment. We believe the most important indicator of whether our compensation objectives are being met is our ability to motivate our named executive officers to deliver superior performance and to achieve our retention goals.

***No Employment or Severance Agreements***

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

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

The Compensation Committee of our Board has the authority and responsibility to develop, adopt and implement compensation arrangements for the CEO, and has delegated to the CEO the authority and responsibility to develop, adopt and implement compensation arrangements for all other executive officers, including all named executive officers other than the CEO. The CEO makes determinations regarding named executive officers in periodic consultation with the Compensation Committee, consistent with the Nasdaq rules applicable to controlled companies. Neither the Company nor the Compensation Committee has engaged a third-party compensation consultant to help determine or provide input for 2007 or 2008 regarding the determination of compensation for the CEO or the other named executive officers.

***Minimum Equity Ownership***

Mr. Saylor beneficially owns 399,800 shares of class A common stock and 2,429,582 shares of class B common stock, or 67.7% of the total voting power and 23.7% of the total equity interest in the Company as of March 15, 2008. Mr. Bansal beneficially owns 75,800 shares of class A common stock and 320,662 shares of class B common stock or 8.9% of the voting power and 4.2% of the total equity interest in the Company as of March 15, 2008. Accordingly, given the significant equity stake already held by Messrs. Saylor and Bansal, we do not believe that a minimum equity ownership requirement would be meaningful.

***Deductibility of Executive Compensation***

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally disallows a tax deduction to a public company for compensation over \$1 million paid to its chief executive officer and its other officers whose compensation is required to be disclosed to the company's stockholders under the Securities Exchange Act for being among the four most highly compensated officers. However, qualified performance-based compensation will not be subject to the deduction limit if certain requirements are met. The Compensation Committee and the

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 the named executive officers. The 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 Compensation Objectives**

The principal elements of our compensation program for Mr. Saylor are base salary and an incentive cash bonus plan based on our diluted earnings per share during the fiscal year. The principal elements of our compensation program for Messrs. Bansal, Locke and Klein are base salary and a discretionary cash bonus. The principal elements of our compensation program for Mr. Zolfaghari are base salary and an incentive cash bonus plan based on the quarterly contribution margins of our licensing, support and services revenues and the annual growth in the value of our maintenance contracts over the fiscal year. We also provide each of our named executive officers with certain perquisites and other benefits that the Compensation Committee or CEO, as applicable, believes are reasonable and consistent with the objectives of our executive compensation programs. Each of these compensation elements satisfies one or more of our performance, alignment, and retention objectives, as described more fully below. We combine the compensation elements for each executive in a manner we believe is consistent with the executive's contributions to the Company. Although we do not have formal long-term compensation programs or currently grant equity compensation to executives, we believe that our executive compensation program nevertheless promotes long-term value to stockholders by providing a stable management team and rewarding financial results that are expected to contribute toward long-term stockholder value. Our executive compensation program presently consists primarily of base salary and cash bonuses, and also includes perquisites, the remaining value of equity compensation awarded prior to 2007 and health insurance and other standard employee benefits.

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

We provide cash compensation in the form of base salary to attract and retain talented executives by recognizing the scope of responsibilities placed on each executive officer and rewarding each named executive officer for his unique leadership skills, management experience and contributions. We also take into consideration economic and industry conditions and company performance. We do not assign relative weights to Company and individual performance, but instead make a subjective determination after measuring such performances collectively. A competitive base salary is an important component of compensation as it provides a degree of financial stability for our executives. We do not engage in formal benchmarking studies of base salaries. However, the Compensation Committee does consider the base salaries that our most direct competitors in the business intelligence software market, Business Objects and Cognos, pay to their chief executive officers. We attempt to keep our CEO's overall compensation level generally competitive with these companies, but typically pay our CEO less in base salary than his counterparts are paid by our competitors.

#### ***Cash Bonuses***

Our cash bonus compensation is designed to reward achievement of strategic and financial goals that support our objective of enhancing stockholder value and to motivate executives to achieve superior performance in their areas of responsibility. We have not made grants of equity compensation to executive officers since 2004. Accordingly, our cash bonus compensation program is the main vehicle for providing performance-based compensation to executives. We consider various factors in determining the form and structure of the cash bonus plan that is most appropriate for rewarding and motivating the individual named executive officer.

Our CEO is responsible for the business as a whole, and therefore, the Compensation Committee believes that basing the CEO's incentive cash bonus on a company-wide financial metric, diluted earnings per share, provides the appropriate incentive for his performance. We believe that establishing diluted earnings per share as

a performance metric best aligns our CEO's interests with those of our stockholders because increases in diluted earnings per share directly increase the overall value of the Company to stockholders. In February 2007, the Compensation Committee established a plan (the 2007 Saylor Bonus Plan) for determining the eligible bonus amount with respect to Mr. Saylor's performance for the period from January 1, 2007 through December 31, 2007 that used the same formula for calculating Mr. Saylor's bonus as was used in 2006. The 2007 Saylor Bonus Plan provided that for each dollar of diluted earnings per share generated by the Company during 2007, Mr. Saylor would be eligible to receive \$400,000, up to a maximum potential bonus payment of \$4,800,000, subject to the Compensation Committee's right to use discretion to award a cash bonus amount lower than the amount calculated using the formula. The Compensation Committee believes that maintaining a simple, consistent formula derived from our diluted earnings per share provides a transparent and readily understandable basis for providing performance-based compensation and ties Mr. Saylor's compensation to our long-term performance. For 2008, the Compensation Committee again adopted a bonus plan for Mr. Saylor using the same formula as that used in both the 2006 Saylor Bonus Plan and the 2007 Saylor Bonus Plan.

Messrs. Bansal, Locke and Klein are each compensated under discretionary cash bonus arrangements based on a subjective evaluation of the individual's performance in the context of general economic and industry conditions and company performance. In evaluating the individual's performance and determining the bonus amount, the CEO takes into consideration the achievement of various strategic and financial objectives by each of these executives and the target bonus amount that was previously established. In setting target bonus amounts, the CEO considers his expectations for the business department headed by each named executive officer and the executives' potential for achieving the expectations. We believe that a discretionary cash bonus arrangement is the appropriate mechanism for rewarding and motivating Messrs. Bansal, Locke and Klein because each of these executives is responsible for, among other things, strategic objectives that cannot always be measured by traditional financial metrics. These strategic objectives include managing and building department infrastructure, hiring key personnel to support our domestic and international operations, supporting our worldwide sales and services activities, and developing corporate policies, controls, and procedures.

In determining the form and structure of the cash bonus plan for Mr. Zolfaghari, the CEO considered Mr. Zolfaghari's responsibility for managing the worldwide sales and sales operations, of our core business intelligence business. Since Mr. Zolfaghari has direct responsibility for business activities that generate revenue from sales of our worldwide product licenses, support and other services, his bonus plan is designed to reward him for specific achievements in these areas. Under Mr. Zolfaghari's 2007 bonus plan (the Vice President Bonus Plan 2007) he was eligible to receive:

quarterly cash bonus awards determined by multiplying 0.75% by the amount by which the quarterly contribution margin of our worldwide product licenses, support and other services revenue exceeded budgeted targets each quarter of 2007; and

an annual cash bonus award determined by multiplying 0.75% by the increase in the value of our maintenance contracts worldwide between the end of 2006 and the end of 2007.

For 2008, we adopted a similar bonus plan for Mr. Zolfaghari, using the same financial metrics as the Vice President Bonus Plan 2007. We believe that these plans are appropriate because they link a significant portion of Mr. Zolfaghari's compensation to financial metrics that reflect his sales performance and that directly impact the Company's earnings.

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

We provide named executive officers with perquisites and other personal benefits that the Compensation Committee and the CEO believe are reasonable and consistent with our overall compensation program. The cost of these benefits constitutes a small percentage of total executive officer compensation. We believe that the relatively low cost of these benefits to the Company is a reasonable use of our resources. These benefits allow

our executives to maintain appropriate levels of visibility and to remain active in business, professional and social circles that may benefit our business, as well as enjoying time with friends and family, and enhance our ability to retain our executive officers.

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. Such personal use may result in compensation to participating individuals for tax purposes. To the extent such personal use is deemed to constitute compensation to an executive officer, we pay to (or withhold and pay to the appropriate taxing authority on behalf of) such executive officer a tax gross-up in cash, which would approximate the amount of the individual's federal and state income and payroll taxes on the taxable income associated with such personal use of these programs, plus federal and state income and payroll taxes on the taxes that the individual may incur as a result of the payment of taxes by us.

We sponsor an annual trip and related events for sales and service personnel who have met specified performance criteria. We believe that participation by Messrs. Saylor and Zolfaghari in these events is important and beneficial to the Company because it strengthens their relationship with key sales and services personnel. Accordingly, we have authorized Messrs. Saylor and Zolfaghari, as well as their guests, to attend these events. The Company pays for specified travel, lodging, food, beverage, entertainment and related expenses on behalf of the participants. Participation in this event may result in compensation to participating individuals for tax purposes. To the extent that participation is deemed to constitute compensation to a participating officer, we provide such officer a tax gross-up for taxes he may incur as a result of his participation. We provide a similar gross-up payment to any other participating employees.

In addition, we may hold, host or otherwise arrange events, outings or other similar entertainment functions at which Mr. Saylor and Mr. Bansal are permitted to entertain personal guests and are paid a tax gross-up for taxes they may incur as a result of such event. 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 each of Mr. Saylor and Mr. Bansal, including all tax gross-up payments, may not exceed \$50,000 in any fiscal year.

We also make available to Mr. Saylor, as CEO, perquisites that are not generally available to other named executive officers. We pay Mr. Saylor's monthly dues at a private club that offers dining services and hosts business, professional and social community events. We believe that providing a company-owned vehicle and driver to Mr. Saylor has many benefits to the Company such as enabling him to make the most productive and efficient use of his time for Company business while he is in transit. Such an arrangement also enhances his personal security and helps to preserve Company confidentiality by limiting his use of public transportation such as taxis and limousine rental services. Accordingly, in addition to business use, we have authorized Mr. Saylor to make personal use of the Company's limousine and related driving services when such vehicle is not being used for business purposes, and provide a tax gross-up for taxes he may incur as a result of this personal use. We also sublease, at no rental cost, a standard office space at our headquarters building to Alcantara LLC, a company of which Mr. Saylor is the sole member and through which Mr. Saylor conducts other business activities, and provide a tax gross-up for taxes he may incur as a result of this sublease.

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. The Compensation Committee believes that while the overall size of these perquisites and personal benefits are a relatively small portion of the CEO's overall compensation, they are useful in motivating and retaining Mr. Saylor by allowing him to devote additional time to business matters and facilitating his participation in professional and social events that may help develop our business. Similarly, the CEO periodically reviews the levels of perquisites and other personal benefits provided to the other named executive officers and may adjust, add or eliminate certain perquisites or benefits.

## Determining Compensation

We generally establish in the first quarter of each fiscal year performance-based compensation plans designed, where applicable, to exempt the compensation paid under the plans from the provisions of Section 162(m) of the Internal Revenue Code. Determinations regarding the actual payment of bonuses are also generally made in the first quarter of the fiscal year following the year for which the bonuses are being awarded. Determinations regarding adjustments to base salary and bonus targets are generally made in the second quarter of the fiscal year to the extent not established in the first quarter.

### Base Salary

In 2007, we examined the base salaries of our named executive officers and made the following adjustments to the base salaries of the executive officers set forth in the following table:

|                | Previous Annual<br>Base Salary | Adjusted Annual<br>Base Salary | Effective Date |
|----------------|--------------------------------|--------------------------------|----------------|
| Sanju Bansal   | \$ 200,000                     | \$ 225,000                     | May 1, 2007    |
| Arthur Locke   | 325,000                        | 350,000                        | May 1, 2007    |
| Jonathan Klein | 325,000                        | 350,000                        | May 1, 2007    |

The CEO made a subjective determination that these increased base salary levels were appropriate, but in so doing considered the following general factors:

strong company performance over the prior several quarters and motivation for continued growth in the future;

increased job responsibilities of each executive as we continue to expand our business worldwide; and

the competitive market for talented managers with experience and expertise in the business intelligence and software technology fields and the amounts being paid by our competitors to their executives holding equivalent positions.

We also considered each named executive officer's strengths and abilities in such officer's respective fields, scope of responsibilities, employment and compensation history and such officer's future potential. Each position is unique, not only in function but also in terms of the market norms for compensation and the pool of potential executives that may be available to fill that particular role. Given these unique conditions, determinations regarding base salaries are unique to each named executive officer and do not necessarily reflect any comparative judgments.

With respect to each of the named executive officers, the CEO conducted a subjective assessment of the executive's individual performance, as measured against various objectives as described above. Accordingly, we increased Mr. Bansal's base salary from \$200,000 to \$225,000, Mr. Locke's base salary from \$325,000 to \$350,000, and Mr. Klein's base salary from \$325,000 to \$350,000, in each case effective May 1, 2007.

Mr. Saylor's base salary of \$525,000 in 2007 remained unchanged from the prior year, as did Mr. Zolfaghari's base salary of \$225,000.

### Cash Bonuses

On March 14, 2008, the Compensation Committee of the Board of Directors determined a cash bonus award to Mr. Saylor in the amount of \$1,819,592 with respect to his performance during the 2007 fiscal year in accordance with the 2007 Saylor Bonus Plan. As the Company's diluted earnings per share in 2007 were less than in 2006, the bonus paid to Mr. Saylor for 2007 was proportionately less than the bonus paid to him in 2006, consistent with the design of the 2007 Saylor Bonus Plan and the Compensation Committee's philosophy



regarding bonus compensation. The Compensation Committee did not exercise its discretion to award a cash bonus amount lower than the amount calculated using the formula set forth in the 2007 Saylor Bonus Plan since the amount derived from the formula was consistent with the Compensation Committee's assessment of the CEO's strong overall performance and the financial performance of the Company.

In 2007, the CEO used a subjective evaluation process, considering our overall performance and achievement of strategic objectives, as discussed earlier, in establishing bonus compensation for the other named executive officers. For example, the CEO considered that in 2007 we achieved growth in total revenues, continued to show strong operating efficiencies and margins, achieved improvements in income from product support and services, and enhanced our global capacity by a substantial number of talented employees to support our increasing customer base and the increasing levels of sophistication in our customers' business intelligence needs and applications. The CEO also considered the contribution of each named executive officer to our overall performance and achievement of strategic objectives.

On February 20, 2008, the CEO determined as a result of this evaluation process to pay a cash bonus award to Mr. Locke in the amount of \$550,000, or 100% of his bonus target for 2007, in respect of his performance in 2007; a cash bonus award to Mr. Klein in the amount of \$550,000, or 100% of his bonus target for 2007, in respect of his performance in 2007; and a cash bonus award to Mr. Bansal in the amount of \$375,000, or 100% of his bonus target for 2007, in respect of his performance in 2007. In addition, bonus award payments were made to Mr. Zolfaghari in quarterly increments during 2007 and early 2008 and one annual increment in 2008 in accordance with the terms of the Vice President Bonus Plan 2007. The aggregate amount of these payments was \$410,305. The CEO did not exercise his discretion to award Mr. Zolfaghari bonuses lower than the amounts established by the formulas in the Vice President Bonus Plan 2007.

#### **Compensation Committee Report on Executive Compensation**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. 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, 2007.

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

Carl J. Rickertsen

Jarrold M. Patten

### Named Executive Officer Compensation

The compensation information set forth below relates to compensation paid by us to our chief executive officer, chief financial officer and our three other most highly compensated executive officers who were serving as executive officers as of December 31, 2007. We refer to these executives collectively as the named executive officers.

#### Summary Compensation Table

The following table sets forth certain information concerning the compensation of the named executive officers for the fiscal years ended December 31, 2007 and December 31, 2006:

| Name and Principal Position   | Year | Salary<br>(\$) | Bonus<br>(\$) | Option<br>Awards<br>\$(1) | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>(\$) | All Other<br>Compensation<br>\$(2) | Total<br>(\$) |
|---|------|----------------|---------------|---------------------------|---|------------------------------------|---------------|
| Michael J. Saylor   | 2007 | \$ 525,000     |               | \$ 225,678                | \$ 1,819,592(3)   | \$ 284,531(4)                      | \$ 2,854,801  |
| Chairman of the Board,<br>President and Chief<br>Executive Officer                      | 2006 | 493,750        |               | 483,305                   | 2,080,836(5)  | 141,344                            | 3,199,235     |
| Sanju K. Bansal   | 2007 | 216,667        | \$ 375,000    | 55,040                    |   | 46,222(6)                          | 692,929       |
| Vice Chairman of the Board,<br>Executive Vice President,<br>and Chief Operating Officer | 2006 | 200,000        | 375,000       | 117,882                   |   | 26,716                             | 719,598       |
| Arthur S. Locke, III  | 2007 | 341,667        | 550,000       | 4,679                     |   | 5,838(7)                           | 902,184       |
| Executive Vice President,<br>Finance and Chief Financial<br>Officer                     | 2006 | 275,000        | 575,000       | 13,158                    |   | 2,872                              | 866,030       |
| Jonathan F. Klein   | 2007 | 341,667        | 550,000       | 27,526                    |   | 2,165(8)                           | 921,358       |
| Executive Vice President,<br>Law and General Counsel                                    | 2006 | 275,000        | 480,000       | 68,937                    |   | 2,683                              | 826,620       |
| Paul N. Zolfaghari  | 2007 | 262,500        |               | 5,505                     | 410,305(9)  | 5,287(10)                          | 683,597       |
| Executive Vice President,<br>Worldwide Sales & Operations                               | 2006 | 206,439        | 156,357       | 14,144                    | 404,989(11)   |                                    | 781,929       |

- (1) Amount shown represents the dollar amount recognized for the respective fiscal years for financial reporting purposes in respect of stock options granted to each of the named executive officers, calculated in accordance with provisions of Statement of Financial Accounting Standards No. 123R. No stock options were granted to any directors or employees in 2006 or 2007. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. See Note 10, Share-Based Compensation,

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to the Company's consolidated financial statements set forth in the Company's Forms 10-K for the years ended December 31, 2006 and 2007, respectively, for the assumptions made in determining SFAS 123R values. This amount reflects the Company's accounting expense for stock options granted to each of the named executive officers, and is not intended to represent the value, if any, that is actually realized by the individual.

- (2) All Other Compensation includes gross-ups and other amounts reimbursed during the fiscal year for the payment of taxes but does not include perquisites and other personal benefits for the named executive officer if the total value of all perquisites and other personal benefits for such named executive officer in a given year was less than \$10,000. With respect to each individual perquisite or benefit, we report the higher of (i) aggregate incremental cost or (ii) compensation imputed to the named officer for tax purposes.
- (3) Amount shown represents the cash bonus amount awarded to Mr. Saylor with respect to his performance for fiscal year 2007 pursuant to the 2007 Saylor Bonus Plan, as discussed in Compensation Discussion and Analysis.

- (4) Amount shown for Mr. Saylor includes (i) \$15,144, which represents compensation imputed to Mr. Saylor in connection with the sublease of office space by the Company to Alcantara LLC; (ii) a cash payment of \$11,056 for reimbursement of taxes incurred in connection with the sublease; (iii) \$59,938, which represents compensation imputed to Mr. Saylor in connection with his personal use of the Corporate Development Programs; (iv) a cash payment of \$43,761 for reimbursement of taxes incurred in connection with his personal use of the Corporate Development Programs; (v) \$54,638, which represents aggregate incremental cost to the Company in connection with Mr. Saylor's personal use of the Company's limousine and related driving services; (vi) a cash payment of \$24,440 for reimbursement of taxes incurred in connection with his personal use of the Company limousine and related driving services; (vii) \$1,762, which represents the cost of club dues paid on behalf of Mr. Saylor by the Company; (viii) \$26,716, which represents compensation imputed to Mr. Saylor in connection with an entertainment event that was held by the Company in 2007; (ix) a cash payment of \$19,506 for reimbursement of taxes incurred in connection with an entertainment event that was held by the Company in 2007; (x) \$18,497, which represents compensation imputed to Mr. Saylor in connection with his participation in an annual event held by the Company for certain sales and service personnel; (xi) a cash payment of \$8,666 for reimbursement of taxes incurred in connection with his participation in an annual event held by the Company for certain sales and service personnel and (xii) \$407, which represents compensation imputed to Mr. Saylor in connection with the Company's purchase of a sympathy flower arrangement.

For each perquisite or benefit other than the sublease, as described in item (i) and personal use of the Corporate Development Programs, as described in item (iii), the amounts shown also reflect the aggregate incremental cost to the Company for such perquisite or benefit. The aggregate incremental cost of providing the sublease and personal use of the Corporate Development Programs is significantly lower than the amounts indicated in this footnote for these items, which reflect compensation imputed to Mr. Saylor for tax purposes. The aggregate incremental cost of providing the sublease and personal use of the Corporate Development Programs to Mr. Saylor was approximately \$1,659 and \$20,565, respectively.

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 perquisite, and aggregating only the variable costs that the Company incurs as a result of providing the perquisite to the employee.

In determining the aggregate incremental cost of providing the sublease, we aggregated costs such as office supplies, telephone usage, incremental use by the occupant of office machines such as copiers, additional utilities and management fees. We did not include any expense for furniture used from our pre-existing supply, office building rent that we incur regardless of whether we sublease the one office provided to Alcantara LLC, the value of a parking space provided in the building that we are allocated regardless of whether we sublease the office to Alcantara LLC, internet access and network infrastructure that we make available in our building generally, or the facility cleaning and administration fee that we incur generally regardless of whether we sublease the office to Alcantara LLC.

In determining the aggregate incremental cost of providing personal use of the Corporate Development Programs, we aggregated costs such as (x) additional event tickets purchased for Mr. Saylor and his personal guests and (y) a portion of food service expenses incurred in connection with the Corporate Development Programs based on the percentage of use attributable to Mr. Saylor's personal use. We did not include any expense for the suite that the Company leases or ticket subscriptions that the Company purchases annually for business entertainment and subsequently makes available for personal use.

With respect to Mr. Saylor's personal use of the Company's limousine and related driving services, we included the entire annual cost to the Company of the limousine and related driving services, regardless of the fact that such vehicle is generally available for Company business use when not being used by Mr. Saylor.

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

- (5) Amount shown represents the cash bonus amount awarded to Mr. Saylor with respect to his performance for fiscal year 2006 pursuant to the 2006 Saylor Bonus Plan.
- (6) Amount shown for Mr. Bansal includes (i) \$26,716, which represents compensation imputed to Mr. Bansal in connection with an entertainment event that was held by the Company in 2007 and (ii) a cash payment of \$19,506 for reimbursement of taxes incurred in connection with an entertainment event that was held by the Company in 2007. These amounts also reflect the aggregate incremental cost to the Company for such perquisite or benefit. See Compensation Discussion and Analysis for further discussion of the benefits referred to in this footnote.
- (7) Amount shown for Mr. Locke represents a cash payment of \$5,838 for reimbursement of taxes incurred in connection with his personal use of the Corporate Development Programs.
- (8) Amount shown for Mr. Klein represents a cash payment of \$2,165 for reimbursement of taxes incurred in connection with his personal use of the Corporate Development Programs.
- (9) Amount shown for Mr. Zolfaghari represents the cash bonus amount awarded to Mr. Zolfaghari with respect to his performance for fiscal year 2007 pursuant to the Vice President Compensation Plan 2007, as discussed in Compensation Discussion and Analysis.
- (10) Amount shown for Mr. Zolfaghari represents cash payments of (i) \$2,263 for reimbursement of taxes incurred in connection with his personal use of the Corporate Development Programs; (ii) \$2,974 for reimbursement of taxes incurred in connection with his participation in an annual event held by the Company for certain sales and service personnel and (iii) \$50 for reimbursement of taxes incurred in connection with the Company's purchase of a congratulatory gift for Mr. Zolfaghari in recognition of a personal occasion.
- (11) Amount shown for Mr. Zolfaghari represents the cash bonus amount awarded to Mr. Zolfaghari with respect to his performance for fiscal year 2006 pursuant to the 2006 Zolfaghari Bonus Plan.

**Grants of Plan-Based Awards for 2007**

The following table sets forth certain information concerning the non-equity incentive plan compensation of the named executive officers for the fiscal year ended December 31, 2007:

| Name                 | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards |                 |                 |
|----------------------|---|-----------------|-----------------|
|                      | Threshold (\$)  | Target (\$)     | Maximum (\$)    |
| Michael J. Saylor    | (1)   | \$ 2,080,836(1) | \$ 4,800,000(1) |
| Sanju K. Bansal      |   |                 |                 |
| Arthur S. Locke, III |   |                 |                 |
| Jonathan F. Klein    |   |                 |                 |
| Paul N. Zolfaghari   | (2)   | \$ 250,000(2)   | (2)             |

- (1) The Compensation Committee established the 2007 Saylor Bonus Plan based on a performance goal relating to the Company's diluted earnings per share for fiscal year 2007, as discussed in Compensation Discussion and Analysis. The maximum bonus amount that could be awarded pursuant to this plan was \$4,800,000. There are no threshold or target bonus amounts under the 2007 Saylor 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. Saylor would be eligible if the Company's diluted earnings per share for fiscal year 2007 were the same as the Company's diluted earnings per share for fiscal year 2006.

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On March 14, 2008, the Compensation Committee of the Board of Directors of the Company awarded a cash bonus to Mr. Saylor

in the amount of \$1,819,592 (as set forth in the Summary Compensation Table) with respect to his performance during fiscal year 2007 pursuant to the 2007 Saylor Bonus Plan. The cash bonus award was paid to Mr. Saylor in March 2008.

- (2) The amount in the Target column represents the award for which Mr. Zolfaghari would be eligible if the contribution margins of our worldwide product licenses, support and other services revenues for each quarter in fiscal year 2007 were 100% of the target amount set by the Chief Executive Officer. Mr. Zolfaghari has the potential to earn amounts in excess of the target payout if such revenues exceed 100% of the target amount, and if there is growth in value of the Company's worldwide maintenance contracts from fiscal year 2006 to 2007. There is no threshold bonus amount under the Vice President Bonus Plan 2007. Bonus award payments were made to Mr. Zolfaghari in quarterly increments during 2007 and early 2008, and one annual increment in 2008, in the aggregate amount of \$410,305 (as set forth in the Summary Compensation Table) with respect to his performance during fiscal year 2007 pursuant to the Vice President Bonus Plan 2007.

**Outstanding Equity Awards at 2007 Fiscal Year-End**

The following table sets forth information concerning unexercised options for each of the named executive officers outstanding as of December 31, 2007. All references to shares in the table refer to shares of the Company's class A common stock.

| Name                 | Number of Securities Underlying Unexercised Options | Number of Securities Underlying Unexercised Options | Option Exercise Price per Share | Option Expiration Date |
|----------------------|---|---|---------------------------------|------------------------|
|                      | (#)<br>Exercisable                                  | (#)<br>Unexercisable                                | (\$)                            |                        |
| Michael J. Saylor    | 317,800(1)  | 82,000(1)   | \$ 20.69                        | 2/8/2013               |
| Sanju K. Bansal      | 0(2)  | 20,000(2)   | 20.69                           | 2/8/2013               |
| Arthur S. Locke, III | 3,500(3)  | 0(3)  | 101.25                          | 2/21/2011              |
|                      | 78(4)   | 0(4)  | 23.00                           | 4/25/2012              |
|                      | 3,400(5)  | 1,700(5)  | 20.69                           | 2/8/2013               |
| Jonathan F. Klein    | 3,000(6)  | 0(6)  | 132.19                          | 8/10/2009              |
|                      | 5,000(7)  | 0(7)  | 242.50                          | 9/27/2010              |
|                      | 2,500(8)  | 0(8)  | 215.00                          | 10/17/2010             |
|                      | 38,522(9)   | 0(9)  | 4.70                            | 7/26/2012              |
|                      | 28,785(10)  | 10,000(10)  | 20.69                           | 2/8/2013               |
| Paul N. Zolfaghari   | 600(11)   | 0(11)   | 187.19                          | 7/28/2009              |
|                      | 5,000(12)   | 0(12)   | 441.25                          | 6/9/2010               |
|                      | 400(13)   | 0(13)   | 215.00                          | 10/17/2010             |
|                      | 4,250(14)   | 0(14)   | 4.70                            | 7/26/2012              |
|                      | 2,750(15)   | 2,000(15)   | 20.69                           | 2/8/2013               |

- (1) The vesting of the shares subject to this stock option is as follows: (i) 71,800 shares vested on 02/28/2004; (ii) 82,000 shares vested on 02/28/2005; (iii) 82,000 shares vested on 02/08/2006; (iv) 82,000 shares vested on 02/08/2007; and (v) 82,000 shares vest on 02/08/2008.
- (2) These shares vest on 02/08/2008.
- (3) The vesting of the shares subject to this stock option vested in five equal annual installments beginning on 03/31/2002.
- (4) The vesting of the shares subject to this stock option is as follows: (i) 16 shares vested on 12/31/2005; (ii) 16 shares vested on 03/31/2006; (iii) 15 shares vested on 06/30/2006; (iv) 15 shares vested on 09/30/2006; and (v) 16 shares vested on 12/31/2006.

- (5) The vesting of the shares subject to this stock option is as follows: (i) 1,700 shares vested on 02/08/2006; (ii) 1,700 shares vested on 02/08/2007; and (iii) 1,700 shares vest on 02/08/2008.
- (6) The shares subject to this stock option vested in five equal annual installments beginning on 09/30/2000.
- (7) The vesting of the shares subject to this stock option is as follows: (i) 999 shares vested on 06/30/2001; (ii) 1,000 shares vested on 6/30/2002; (iii) 1,000 shares vested on 6/30/2003; (iv) 1,000 shares vested on 6/30/2004; and (v) 1,001 shares vested on 6/30/2005.
- (8) The vesting of the shares subject to this stock option is as follows: (i) 500 shares vested on 04/01/2001; (ii) 500 shares vested on 10/01/2001; (iii) 500 shares vested on 10/01/2002; (iv) 500 shares vested on 10/01/2003; and (v) 500 shares vested on 10/01/2004.
- (9) The vesting of the shares subject to this stock option is as follows: (i) 3,522 shares vested on 07/26/2004; (ii) 17,500 shares vested on 07/26/2005; and (iii) 17,500 shares vested on 07/26/2006.
- (10) The vesting of the shares subject to this stock option is as follows: (i) 8,785 shares vested on 02/08/2005; (ii) 10,000 shares vested on 02/08/2006; (iii) 10,000 shares vested on 02/08/2007; and (iv) 10,000 shares vest on 02/08/2008.
- (11) The shares subject to this stock option vested in five equal annual installments beginning on 09/30/2000.
- (12) The shares subject to this stock option vested in five equal annual installments beginning on 06/30/2001.
- (13) The vesting of the shares subject to this stock option is as follows: (i) 80 shares vested on 04/01/2001; (ii) 80 shares vested on 10/01/2001; (iii) 80 shares vested on 10/01/2002; (iv) 80 shares vested on 10/01/2003; and (v) 80 shares vested on 10/01/2004.
- (14) The vesting of the shares subject to this stock option is as follows: (i) 125 shares vested on 07/26/2005; and (ii) 4,125 shares vested on 07/26/2006.
- (15) The vesting of the shares subject to this stock option is as follows: (i) 750 shares vested on 02/08/2006; (ii) 2,000 shares vested on 02/08/2007; and (iii) 2,000 shares vest on 02/08/2008.

**Option Exercises in 2007**

The following table sets forth information concerning the number of shares acquired and the value realized on exercise of stock options during the fiscal year ended December 31, 2007 by each of the named executive officers. All references to shares in the table refer to shares of the Company's class A common stock.

| Name                 | Number of Shares<br>Acquired on Exercise<br>(#) | Value Realized<br>on Exercise<br>(\$ (1)) |
|----------------------|---|---|
| Michael J. Saylor    |   |   |
| Sanju K. Bansal      | 40,000  | \$ 4,195,244                              |
| Arthur S. Locke, III |   |   |
| Jonathan F. Klein    | 18,039  | 1,635,650                                 |
| Paul N. Zolfaghari   | 1,250   | 108,250                                   |



- (1) This amount represents the difference between the exercise price and the closing price of our class A common stock on the date of exercise. This amount may not represent the value that is actually realized by the executive officer upon sale of underlying shares due to differences between the closing price of our class A common stock on the date of exercise and the price or prices at which an individual may have sold the shares he received following exercise.

### Director Compensation

Each non-employee or outside director receives a fee of \$8,000 for each quarterly meeting of the Board of Directors that the outside director attends in person. An outside director may be paid a quarterly board meeting 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, but such payment is limited to one occurrence in any given year. Each outside director who is a member of the Audit Committee also receives a fee of \$4,000 for each quarterly meeting of such committee that the outside director attends in person. Each outside director may receive fees of up to \$12,000 in any 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 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. Each outside director is reimbursed for all reasonable out-of-pocket expenses incurred by him or her in attending meetings of the Board of Directors and any committee thereof and otherwise in performing his or her duties as an outside director, subject to compliance with our standard documentation policies regarding reimbursement of business expenses.

We make available, from time to time, Corporate Development Programs for personal use by our personnel, including members of the Board of Directors of the Company, our executive officers, and other employees of the Company and its subsidiaries. To the extent such personal use is deemed compensation to a director, we pay to (or withhold and pay to the appropriate taxing authority on behalf of) such director a tax gross-up in cash, which would approximate the amount of the individual's federal and state income and payroll taxes on the taxable income associated with such personal use of these programs, plus federal and state income and payroll taxes on the taxes that the individual may incur as a result of the payment of taxes by us.

The following table sets forth information concerning the compensation of each of our non-employee directors for the fiscal year ended December 31, 2007. All references to shares in the table refer to shares of the Company's class A common stock.

| Name               | Fees Earned or |               | All Other    | Total     |
|--------------------|----------------|---------------|--------------|-----------|
|                    | Paid in Cash   | Option Awards | Compensation |           |
|                    | (\$)           | (\$)(1)       | (\$)(2)      | (\$)      |
| Matthew W. Calkins | \$ 48,000      |               |              | \$ 48,000 |
| Robert H. Epstein  | 32,000         |               |              | 32,000    |
| David W. LaRue     | 48,000         |               |              | 48,000    |
| Jarrold M. Patten  | 48,000         |               |              | 48,000    |
| Carl J. Rickertsen | 24,000         | \$ 15,765(3)  | \$ 1,201(4)  | 40,966    |
| Thomas P. Spahr    | 32,000         |               | 3,452(5)     | 35,452    |

- (1) The amount represents the dollar amount recognized for financial reporting purposes for the year ended December 31, 2007 of stock options granted to each of the directors, calculated in accordance with provisions of SFAS 123R. No stock options were granted to any employees or directors in 2007. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. See Note 10, 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, 2007 for the assumptions made in determining SFAS 123R values. This amount reflects the Company's accounting expense for stock options granted to each of the directors, and is not intended to represent the value, if any, that is actually realized by the individual.
- (2) All Other Compensation includes gross-ups and other amounts reimbursed during the fiscal year for the payment of taxes 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 year was less than \$10,000. With respect to each individual perquisite or benefit, we report the higher of (i) aggregate incremental cost or (ii) compensation imputed to the director for tax purposes.
- (3) As of December 31, 2007, Mr. Rickertsen owned outstanding options exercisable for an aggregate of 12,000 shares. The grant date fair value of the outstanding stock options was \$12.15 per share.
- (4) Amount shown for Mr. Rickertsen represents a cash payment of \$1,201 for reimbursement of taxes incurred in connection with his personal use of Corporate Development Programs.
- (5) Amount shown for Mr. Spahr represents a cash payment of \$3,452 for reimbursement of taxes incurred in connection with his personal use of Corporate Development Programs.

### AUDIT COMMITTEE REPORT

The Audit Committee of the Company's Board of Directors acts under a written charter most recently amended and restated on January 22, 2007. Each member of the Audit Committee meets the Nasdaq Marketplace Rule definition of "independent" for audit committee purposes, as well as the independence requirements of Rule 10A-3 under the Securities Exchange Act.

The Audit Committee reviewed the Company's audited financial statements for the fiscal year ended December 31, 2007 and discussed these financial statements with the Company's management. Management has the primary responsibility for the Company's financial statements and the reporting process, including the system of internal controls. The Company's independent registered public accounting firm is responsible for performing an independent audit of the Company's financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report on those financial statements. The Audit Committee is responsible for monitoring and overseeing these processes. As appropriate, the Audit Committee reviews and evaluates, and discusses with the Company's management, internal accounting, financial and auditing personnel and the independent registered public accounting firm, the following, among other things:

the plan for, and the independent registered public accounting firm's report on, each audit of the Company's financial statements;

the Company's financial disclosure documents, including all financial statements and reports filed with the SEC or sent to stockholders;

changes in the Company's accounting practices, principles, controls or methodologies;

management's selection, application and disclosure of critical accounting policies;

significant developments or changes in accounting rules applicable to the Company; and

the adequacy of the Company's internal controls and accounting, financial and auditing personnel.

Through periodic meetings during the fiscal year ended December 31, 2007 and the first quarter of 2008, the Audit Committee discussed the following significant items with management and Grant Thornton:

significant revenue contracts;

significant and complex transactions;

significant accounting and reporting issues and policies; and

quarterly business results and financial statements.

During the fiscal year ended December 31, 2007 and the first quarter of 2008, the Audit Committee performed the following, among other, functions:

selected Grant Thornton as the Company's independent registered public accounting firm for the fiscal year ended December 31, 2007;

monitored the annual independent audit by Grant Thornton for the fiscal year ended December 31, 2007;

pre-approved all audit and permitted non-audit services to be provided to the Company by Grant Thornton;

reviewed the Company's risk assessment and management procedures;

oversaw the Company's internal controls over financial reporting pursuant to the Sarbanes-Oxley Act of 2002;

reviewed and considered whether to approve any related party transactions with any director, executive officer of the Company and any related person transactions pursuant to the Company's Related Person Transactions Policy; and

reviewed quarterly reports as required by the Company's Board of Directors regarding significant revenue contracts requiring advance approval from the Audit Committee, litigation and regulatory matters and the status of internal controls and procedures.

During the fiscal year ended December 31, 2007, the Audit Committee also met in separate executive sessions with Grant Thornton, the Company's Chief Executive Officer, Chief Financial Officer, Vice President, Finance and Worldwide Controller, Director of Internal Audit, Director, SEC and Financial Reporting, Vice President, Worldwide Revenue Recognition and Vice President, Risk Management.

Management represented to the Audit Committee that the Company's financial statements relating to the fiscal year ended December 31, 2007 had been prepared in accordance with accounting principles generally accepted in the United States.

The Audit Committee also reviewed and discussed with Grant Thornton the audited financial statements and the matters required by Statement on Auditing Standards 61 (Communication with Audit Committees), as amended. SAS 61 requires the Company's independent registered public accounting firm to discuss with the Company's Audit Committee, among other things, the following:

methods to account for significant unusual transactions;

the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;

the process used by management in formulating particularly sensitive accounting estimates and the basis for the independent registered public accounting firm's conclusions regarding the reasonableness of those estimates; and

disagreements, if any, with management over the application of accounting principles, the basis for management's accounting estimates and the disclosures in the financial statements (there were no such disagreements).

Grant Thornton also provided the Audit Committee with the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). Independence Standards Board Standard No. 1 requires independent registered public accounting firms to disclose annually in writing all relationships that in the independent registered public accounting firm's professional opinion may reasonably be thought to bear on independence, confirm their perceived independence and engage in a discussion of independence. Accordingly, the Audit Committee discussed with Grant Thornton its independence from the Company. The Audit Committee also considered whether Grant Thornton's provision of the other, non-audit related services to the Company, which are identified below under the caption Independent Registered Public Accounting Firm Fees and Services, is compatible with maintaining Grant Thornton's independence.

Based on its discussions with management and Grant Thornton, as well as its review of the representations and information provided by management and Grant Thornton, 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, 2007.

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

David W. LaRue

Matthew W. Calkins

Jarrold M. Patten

**PROPOSAL 2**

**RATIFICATION OF THE SELECTION OF GRANT THORNTON LLP AS THE  
COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2008**

**Selection of Independent Registered Public Accounting Firm for the Fiscal Year Ending December 31, 2008**

The Audit Committee has selected, and the Board of Directors has ratified the Audit Committee s selection of, the firm of Grant Thornton as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2008. Although stockholder approval of the selection of Grant Thornton is not required by law, the Company believes that it is advisable to give stockholders an opportunity to ratify this selection. If this proposal is not approved at the Annual Meeting, the Audit Committee may reconsider its selection of Grant Thornton.

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

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

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**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES AND SERVICES**
**Fees and Services**

Aggregate fees for professional services rendered by Grant Thornton to us for work performed during and related to the fiscal years ended December 31, 2007 and 2006 are summarized in the table below.

| Fee Category       | 2007         | 2006         |
|--------------------|--------------|--------------|
| Audit Fees         | \$ 1,485,780 | \$ 1,435,513 |
| Audit-Related Fees | 61,175       | 86,312       |
| Tax Fees           |              | 7,640        |
| All Other Fees     |              |              |
| Total Fees         | \$ 1,546,955 | \$ 1,529,464 |

*Audit* fees for the years ended December 31, 2007 and 2006 were 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 for the years ended December 31, 2007 and 2006 were for assurance and related services, employee benefit plan audits, accounting consultations and consultations concerning financial and accounting and reporting standards.

*Tax* fees for the year ended December 31, 2006 were for services related to tax compliance, including the preparation of tax returns, tax planning and tax advice.

**Audit Committee Pre-Approval Policies and Procedures**

During the fiscal years ended December 31, 2007 and 2006, the Audit Committee pre-approved all services (audit and non-audit) provided to MicroStrategy by our independent registered public accounting firms. 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 for approval 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 Grant Thornton during the fiscal years ended December 31, 2007 and 2006 were approved by the full 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 Annual Meeting Materials

Some banks, brokers and other nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of our proxy statement or annual report may have been sent to multiple stockholders in the same household. We will promptly deliver a separate copy of either document to any stockholder upon request submitted in writing to us at the following address: MicroStrategy Incorporated, 1861 International Drive, McLean, Virginia 22102, Attention: Investor Relations, or by calling 703-848-8600. Any stockholder who wants to receive separate copies of the annual report and proxy statement in the future, or who is currently receiving multiple copies and would like to receive only one copy for his or her household, should contact his or her bank, broker, or other nominee record holder, or contact us at the above address and phone number.

### Stockholder Proposals

Proposals of stockholders intended to be presented at the 2009 Annual Meeting of Stockholders, including director nominations described above under the heading Director Candidates, must be received by us at our principal offices, 1861 International Drive, McLean, Virginia 22102 by December 15, 2008 for inclusion in the proxy materials for the 2009 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 2009 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 9, 2009, and if a stockholder fails to provide such timely notice of a proposal to be presented at the 2009 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,

Sanju K. Bansal  
*Vice Chairman, Executive Vice President,  
Chief Operating Officer and Secretary*

April 15, 2008

**THE BOARD OF DIRECTORS HOPES THAT STOCKHOLDERS WILL ATTEND THE MEETING. WHETHER OR NOT YOU PLAN TO ATTEND, YOU ARE URGED TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE. STOCKHOLDERS WHO ATTEND THE MEETING MAY VOTE THEIR STOCK PERSONALLY EVEN IF THEY HAVE SENT IN THEIR PROXIES.**



PROXY

**MICROSTRATEGY INCORPORATED**

**Proxy for the Annual Meeting of Stockholders to be held on Wednesday, May 14, 2008**

**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, Jonathan F. Klein and Arthur S. Locke, III, 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, 1861 International Drive, McLean, Virginia 22102, on Wednesday, May 14, 2008 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 executed, will be voted in the manner directed herein by the undersigned stockholder. If no direction is given, this proxy will be voted FOR all proposals. This proxy may be revoked by the undersigned at any time before its exercise by delivery of written revocation or a subsequently dated proxy to the Secretary of the Company or by voting in person at the Meeting.**

**(Continued and to be signed on the reverse side)**

**Annual Meeting of Stockholders of  
MICROSTRATEGY INCORPORATED**

**May 14, 2008**

**Please fill in, date, sign and mail your proxy card in the  
enclosed postage-paid return envelope as soon as possible.**

Please detach along perforated line and mail in the envelope provided.

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.**

**PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE [X]**

1. To elect the following eight (8) directors for the next year.

NOMINEES:

Michael J. Saylor

Sanju K. Bansal

Matthew W. Calkins

Robert H. Epstein

David W. LaRue

Jarrod M. Patten

Carl J. Rickertsen

Thomas P. Spahr

**FOR ALL NOMINEES**

**WITHHOLD AUTHORITY FOR ALL NOMINEES**

**FOR ALL EXCEPT (See instructions below)**

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**INSTRUCTION:** To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: •

2. To ratify the selection of Grant Thornton LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2008.

For            Against            Abstain

[ ]            [ ]            [ ]

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

Signature of Stockholder \_\_\_\_\_ Date: \_\_\_\_\_

Signature of Stockholder \_\_\_\_\_ Date: \_\_\_\_\_

**Note:** Please sign exactly as your name or names appear on this Proxy. 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 the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.