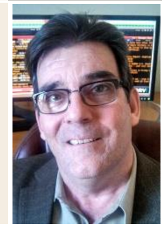
Business Development

Microsoft (MSFT)

Ken Copley
4920 Valley View Ln
West Des Moines, IA 50265
515-222-9102
kencopley@capitalexecutive.net



Investment Capital

Instead of deploying so much capital to cash and government securities, earning a nominal return in the market, Microsoft could actually generate significant value in the market – if it allocated more of its investment capital towards business development.

Microsoft -- Portfolio Management -- Investment Capital

	June 2013	%	March 2014	%	Growth
Cash & Equivalent	$ 4,432	5.0%	$ 10,241	10.1%	131.1%
Gov. Securities	$ 65,772	74.9%	$ 67,862	67.1%	3.2%
Mortgaged Backed	$ 1,288	1.5%	$ 1,203	1.2%	-6.6%
Corporate Debt	$ 5,122	5.8%	$ 9,090	9.0%	77.5%
Corporate Equity	$ 9,588	10.9%	$ 11,605	11.5%	21.0%
Other	$ 1,664	1.9%	$ 1,198	1.2%	-28.0%
Total	$ 87,866	100.0%	$ 101,199	100.0%	15.2%

There are many methods to business development. In this case, it means growing the business by developing deeper, (more collaborative), operating relationships with strategically, targeted organizations.

Microsoft can develop these relationships by deploying more of its investment capital into the global, highly-liquid, publicly-traded equity markets.

Strategically target organizations that can generate significant value in the market by developing a deeper (more collaborative) operating relationship with Microsoft.

Take an active, equity position in the strategically, targeted organization. Equity capital develops an operating relationship more effectively than any other method, because it aligns the interests between organizations, shareholders and employees!

The following example illustrates an application of this portfolio management, business development strategy.

When Microsoft formed the strategic alliance with Nokia in 2011, Microsoft should have allocated some of its investment capital to take a minority position in the publicly-traded equity of Nokia.

In addition to the basic marketing agreement between the organizations, Microsoft should have notified Nokia of its intent to take an active, equity position. At the same time, Microsoft should have reassured Nokia about the objective behind the equity investment: **a totally altruistic, mutually-beneficial, business development agreement between the organizations**.

Nokia needed capital during this time period. This presented very attractive investment opportunities for Microsoft, especially in the publicly-traded debt and equity markets. Instead, the Microsoft portfolio ignored the investment opportunities, remaining predominantly cash and government securities.

If Microsoft really analyzed the value of developing a deeper, operating relationship with Nokia, then Microsoft would have recognized the incredible investment opportunities presented from the financial needs of Nokia.

Separate the operating decision from the financial decision. If the operating relationship can really be developed, then capitalize on the financial opportunities within the operating relationship, especially as it relates to the global, publicly-traded, debt and equity markets!

The Question: allocate ~77% of the investment capital to cash and government securities, or deploy some of the investment capital to accomplish the corporate objectives and develop the business of **Microsoft**!