

NOTE 20 — EMPLOYEE STOCK AND SAVINGS PLANS

We grant stock-based compensation to employees and directors. As of June 30, 2016 an aggregate of 214 million shares were authorized for future grant under our stock plans. Awards that expire or are canceled without delivery of shares generally become available for issuance under the plans. We issue new shares of Microsoft common stock to satisfy exercises and vesting of awards granted under all of our stock plans. We also have an ESPP for all eligible employees.

Stock-based compensation expense and related income tax benefits were as follows:

(In millions)				
Year Ended June 30,	2016	2015	2014	
Stock-based compensation expense	\$ 2,668	\$ 2,574	\$ 2,446	
Income tax benefits related to stock-based compensation	288	86	830	

Stock Plans

Stock awards entitle the holder to receive shares of Microsoft common stock as the award vests. Stock awards generally vest over a four or five-year service period.

Executive incentive plan

Under the Executive Incentive Plan, the Compensation Committee approves stock awards to executive officers and certain senior executives. The stock awards vest ratably in August of each of the four years following the grant date.

Activity for all stock plans

The fair value of stock awards were estimated on the date of grant using the following assumptions:

Year Ended June 30,	2016	2015	2014
Dividends per share (quarterly amounts)	\$ 0.31 - \$ 0.36	\$ 0.28 - \$ 0.31	\$ 0.23 - \$ 0.28
Interest rates	1.1% - 1.8%	1.2% - 1.9%	1.3% - 1.8%

During fiscal year 2016, the following activity occurred under our stock plans:

	Shares (In millions)	Weighted Average Grant-Date Fair Value
Stock Awards		
Nonvested balance, beginning of year	216	\$ 32.72
Granted	83	\$ 41.51
Vested	(85)	\$ 30.98
Forfeited	(20)	\$ 35.93
Nonvested balance, end of year	<u>194</u>	<u>\$ 36.92</u>

As of June 30, 2016, there was approximately \$4.8 billion of total unrecognized compensation costs related to stock awards. These costs are expected to be recognized over a weighted average period of 3 years. The weighted average grant-date fair value of stock award granted was \$41.51, \$42.36, and \$31.50 for fiscal years 2016, 2015, and 2014, respectively. The fair value of stock awards vested was \$3.9 billion, \$4.2 billion, and \$3.2 billion, for fiscal years 2016, 2015, and 2014, respectively.