

Plaintiff, on behalf of itself and all others similarly situated, by plaintiff's undersigned attorneys, for plaintiff's complaint against defendants, alleges the following based upon personal knowledge as to plaintiff and plaintiff's own acts, and upon information and belief as to all other matters based on the investigation conducted by and through plaintiff's attorneys, which included, among other things, a review of U.S. Securities and Exchange Commission ("SEC") filings of Microsoft Corporation ("Microsoft" or the "Company"), the Company's press releases, analyst reports, media reports, and other publicly disclosed information about the Company. Plaintiff believes that substantial

additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a securities class action on behalf of all purchasers of Microsoft common stock between May 1, 2025 and January 28, 2026, both dates inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "1934 Act") against Microsoft and certain of the Company's executive officers.

JURISDICTION AND VENUE

2. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the 1934 Act, 15 U.S.C. §§78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder, 17 C.F.R. §240.10b-5. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and §27 of the 1934 Act, 15 U.S.C. §78aa.

3. Venue is proper in this District pursuant to 28 U.S.C. §1391(b), and §27 of the 1934 Act, because certain of the events or omissions giving rise to the claim occurred in this District, including the dissemination of the statements alleged to be materially false and misleading into this District. Microsoft's corporate headquarters are also located in this District.

4. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited

to, the mails, interstate telephone communications, and the facilities of the national securities markets.

PARTIES

5. Plaintiff, as set forth in the certification attached hereto and incorporated by reference herein, purchased Microsoft common stock during the Class Period and has been damaged thereby.

6. Defendant Microsoft is a multinational technology conglomerate headquartered in Redmond, Washington. Microsoft common stock trades on the Nasdaq under the ticker symbol “MSFT.”

7. Defendant Satya Nadella (“Nadella”) served as Microsoft’s Chief Executive Officer (“CEO”) and Chairman of its Board of Directors during the Class Period.

8. Defendant Amy E. Hood (“Hood”) served Microsoft’s Chief Financial Officer (“CFO”) and Executive Vice President during the Class Period.

9. Defendant Jared Spataro (“Spataro”) served as Microsoft’s Chief Marketing Officer, AI at Work (“AI CMO”) during the Class Period.

10. Defendant Rajesh Jha (“Jha”) served as Microsoft’s Executive Vice President, Experiences and Devices (“EVP E&D”) during the Class Period. In March 2026, Microsoft announced that defendant Jha would be retiring after more than 35 years of working with the Company.

11. Defendants Nadella, Hood, Spataro, and Jha are collectively referred to herein as the “Individual Defendants.”

12. Each of the Individual Defendants was directly involved in the management and day-to-day operations of the Company at the highest levels and was privy to confidential proprietary information concerning the Company and its business, operations, services, partners, and present and future business prospects, as alleged herein. In addition, the Individual Defendants were involved in drafting, producing, reviewing, and/or disseminating the false and misleading

statements and information alleged herein, were aware of, or recklessly disregarded, the false and misleading statements being issued regarding the Company, and approved or ratified these statements, in violation of the federal securities laws.

13. As officers and controlling persons of a publicly held company whose securities are registered with the SEC pursuant to the 1934 Act and trade on the Nasdaq, which is governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to promptly disseminate accurate and truthful information with respect to the Company's operations, business, services, partners, and present and future business prospects. In addition, the Individual Defendants each had a duty to correct any previously issued statements that had become materially misleading or untrue, so that the market price of Microsoft common stock would be based upon truthful and accurate information. Defendants' false and misleading misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

14. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to, and did, control the content of the various SEC filings, press releases, and other public statements pertaining to the Company during the Class Period. Each Individual Defendant was provided with copies of the documents alleged herein to be misleading before or shortly after their issuance, participated in conference calls with investors during which false and misleading statements were made, and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, each Individual Defendant is responsible for the accuracy of the public statements detailed herein and is, therefore, primarily liable for the representations contained therein.

BACKGROUND

15. Microsoft is one of the largest technology conglomerates in the world. Founded in 1975, the Company was a key player in the development and spread of personal computing technology, in particular through its proprietary Windows operating platform. Since then,

Microsoft's offerings have expanded to include enterprise software, cloud computing, online services, gaming, and technological hardware, as well as other products and offerings.

16. In recent years the Company's cloud computing platform, known as Azure, has been its main growth driver. Part of Microsoft's "Intelligent Cloud" reporting segment, Azure relies on the Company's global network of data centers to provide customers with computing, networking, storage, mobile and web application services, artificial intelligence ("AI"), Internet of Things, cognitive services, and machine learning. For its fiscal 2025, Microsoft's Azure revenue grew 34% to more than \$75 billion, driving 14% gross margin growth in the Company's Intelligent Cloud segment. During the Class Period, defendants represented that the Company's revenue growth would "continue to be driven by Azure."

17. A key reason for Azure's recent growth has been Microsoft's increasing incorporation of AI capabilities into the platform's suite of available products and services. Microsoft has been at the forefront of AI development, and Microsoft executives have proclaimed the central importance of AI technologies to the Company's business and prospects. In recent years, Microsoft has invested billions of dollars in leading developers of large language models ("LLMs"), which are computational models trained on vast amounts of data designed to mimic natural language processing tasks such as language generation.

18. Since 2019, Microsoft has invested over \$13 billion in OpenAI, the developer of LLM ChatGPT, and, more recently, committed to investing billions more in Anthropic, the developer of rival LLM Claude. These deals have been criticized for their apparent circularity, as the LLM providers and Microsoft have committed to using each other's products and services, and for creating potential concentration risk given their size.

19. On October 28, 2025, Microsoft and OpenAI announced the "next phase" of their historic partnership. Among other changes, OpenAI restructured as a for-profit public benefit corporation, of which Microsoft retained a 27% stake on an as-converted diluted basis (which Microsoft valued at \$135 billion), while OpenAI agreed to purchase \$250 billion worth of

incremental Azure services. In April 2026, the parties announced the agreement had been revised again to purportedly add greater clarity and flexibility, among other revisions.

20. Similarly, on November 18, 2025, Microsoft and Anthropic (together with chip manufacturer NVIDIA Corporation) announced a strategic partnership whereby Microsoft will invest up to \$5 billion in Anthropic and power its in-house AI products in services in part with Claude, while Anthropic committed to purchasing \$30 billion of Azure compute capacity and up to one gigawatt of additional capacity from Microsoft.

21. In 2023, Microsoft introduced its own proprietary generative AI chatbot, Copilot. Originally built on ChatGPT, more recently Microsoft has integrated technology from Claude to power Copilot and begun working on its own internal LLMs. Microsoft has launched numerous versions of Copilot across many of its consumer and enterprise applications, each with different features and use cases. Microsoft offers Copilot as a “freemium” model, allowing users to use basic features free of charge but then charging consumers and businesses for more premium features and capabilities, which the Company calls paid “seats.”

22. Throughout the Class Period, defendants highlighted the purported success of Copilot and Microsoft’s foray into AI development, claiming that Copilot offered best-in-class capabilities and enjoyed widespread and growing user adoption. Defendants also downplayed concerns about the Company’s AI investments and business dealings with LLM providers and other companies, claiming that Microsoft was well positioned to achieve suitable returns on its AI-related investments and emerge a key benefactor from AI technological advancements. As a result of these and similar statements, the price of Microsoft stock reached all-time highs of over \$550 per share during the Class Period.

**MATERIALLY FALSE AND MISLEADING STATEMENTS
AND OMISSIONS ISSUED DURING THE CLASS PERIOD**

23. The Class Period begins on May 1, 2025. After market hours on April 30, 2025, Microsoft issued a release providing the Company’s financial results for its fiscal third quarter

ended March 31, 2025 (“3Q25”).¹ The release stated that during the quarter, Microsoft generated \$26.8 billion in Intelligent Cloud revenue, a 21% increase, “driven by Azure and other cloud services revenue growth of 33%.” The release quoted CEO Nadella as stating: ““Cloud and AI are the essential inputs for every business to expand output, reduce costs, and accelerate growth From AI infra and platforms to apps, we are innovating across the stack to deliver for our customers.””

24. Also on April 30, 2025, Microsoft filed with the SEC a 3Q25 quarterly report on Form 10-Q, which was signed by CEO Nadella and CFO Hood who attested to the report’s accuracy and material completeness. The Form 10-Q contained the same financial information regarding Microsoft’s Azure and Intelligent Cloud offerings contained in the 3Q25 release. The Form 10-Q further stated: “Azure and other cloud services revenue grew 33% driven by demand for our portfolio of services, including 16 points from our AI services.”

25. That same day, Microsoft hosted an earnings conference call with analysts and investors to discuss the Company’s 3Q25 results hosted by CEO Nadella and CFO Hood. In his prepared remarks, CEO Nadella represented that Microsoft “continue[s] to win new customers with best-in-class AI capabilities.” In particular, CEO Nadella highlighted purported advancements in Copilot and its growing adoption by consumers and businesses alike, stating:

Microsoft 365 Copilot is built to facilitate human agent collaboration, hundreds of thousands of customers across geographies and industries now use Copilot, up 3 times year-over-year. Our overall deal size continues to grow. In this quarter, we saw a record number of customers returning to buy more seats. And we’re going further. Just last week, we announced a major update, bringing together agents, notebooks, search and create into a new scaffolding for work.

Our new researcher and analyst deep reasoning agents analyze vast amounts of web and enterprise data to deliver highly skilled expertise on demand directly within Copilot. Beyond horizontal knowledge work, we are introducing agents for every role and business process.

¹ Microsoft’s fiscal year ends on June 30 of the calendar year.

Our sales agent turns contacts into qualified leads and with sales chat reps can quickly get up to speed on new accounts. [A]nd our customer service agent is deflecting customer inquiries and helping service reps resolve issues faster. With Copilot Studio, customers can extend Copilot and build their own agents with no code, low code.

More than 230,000 organizations, including 90% of the Fortune 500 have already used Copilot Studio. With deep reasoning and agent flows in Copilot Studio, customers can build agents that perform more complex staff and also handle deterministic scenarios like document processing and financial approvals.

And they can now build computer use agents that take action on the UI across desktop and web apps. And with just a click, they can turn any SharePoint site into an agent, too. This quarter alone, customers created over 1 million custom agents across SharePoint and Copilot Studio, up 130% quarter-over-quarter.

26. In her prepared remarks, CFO Hood similarly claimed: “We continue to see strong demand for our cloud and AI offerings as they help customers drive productivity, increase efficiencies and grow their businesses.” She highlighted the purported success of Copilot, stating: “ARPU growth was again driven by E5 and M365 Copilot.” CFO Hood continued:

With M365 Copilot, we continue to see growth across customer segments and geos. Paid M365 Commercial seats grew 7% year-over-year to over \$430 million. While we continue to see installed base expansion across all customer segments, growth was primarily driven by our small and medium business and frontline worker offerings.

27. On July 30, 2025, Microsoft issued a release providing the Company’s financial results for its fiscal fourth quarter and year ended June 30, 2025 (“FY25”). The release stated that during the fourth quarter, Microsoft generated \$29.9 billion in Intelligent Cloud revenue, a 26% increase, “driven by Azure and other cloud services revenue growth of 39%.” The release quoted CEO Nadella as stating: “Cloud and AI is the driving force of business transformation across every industry and sector We’re innovating across the tech stack to help customers adapt and grow in this new era, and this year, Azure surpassed \$75 billion in revenue, up 34 percent, driven by growth across all workloads.”

28. Also on July 30, 2025, Microsoft filed with the SEC a FY25 annual report on Form 10-K, which was signed by CEO Nadella and CFO Hood who attested to the report’s accuracy and

material completeness. The Form 10-K contained the same financial information regarding Microsoft's Azure and Intelligent Cloud offerings contained in the FY25 release. The Form 10-K further stated: "Azure and other cloud services revenue grew 34% driven by demand for our portfolio of services."

29. That same day, Microsoft hosted an earnings conference call with analysts and investors to discuss the Company's FY25 results hosted by CEO Nadella and CFO Hood. In his prepared remarks, CEO Nadella claimed Microsoft was experiencing "record" enthusiasm for its Copilot products, stating:

Talking about the app layer, these applications are becoming embedded in our daily work and life. Our family of Copilot apps has surpassed 100 million monthly active users across commercial and consumer. And when you take a broader look at the engagement of AI features across our products, we have over 800 million monthly active users.

Microsoft 365 Copilot is becoming the new way to organize work and workflow and work artifacts. We rolled out our biggest update to Microsoft 365 Copilot to date this quarter, bringing together chat, search, create, notebooks as well as agents into one intuitive scaffolding. ***With this innovation and continued product improvements, we are seeing real momentum. Customers continue to adopt Copilot at a faster rate than any other new Microsoft 365 suite, with strong usage intensity as shown by our week-over-week retention. And we saw the largest quarter of seat ads since launch with a record number of customers returning to buy more seats.***

30. On September 10, 2025, Microsoft's AI CMO Spataro presented at the Goldman Sachs Communacopia & Technology Conference. AI CMO Spataro spoke extensively about the purported benefits of Copilot and its widespread adoption by Microsoft customers, claiming "we feel great about what we can do" through Copilot to "improve efficiency by 20% to 30%." He gave several examples of purported real-world efficiency gains, characterizing them as "just real nuts and bolts." AI CMO Spataro continued: "It may not be the most exciting thing to talk about, but at Microsoft, we're saving a lot of money, and we see our customers doing it as well."

31. When asked by the interviewer how Copilot was doing in the market, AI CMO Spataro represented "that 70% of the Fortune 500 are using Copilot in a pretty extensive way, and

those are lands, and we're expanding from there." He further claimed: "This past quarter, when we reported, it was our best quarter ever both in terms of seat adds for Copilot and the number of customers." Similarly, when asked how "Copilot usage tracked relative to your expectations," AI CMO Spataro responded that Copilot "still is our fastest-growing M365 portfolio product that we've ever had. And that's saying something because M3 and ME 5, like those are big important products that continue to really grow."

32. On October 29, 2025, Microsoft issued a release providing the Company's financial results for its fiscal first quarter ended June 30, 2025 ("1Q26"). The release stated that during the quarter, Microsoft generated \$30.9 billion in Intelligent Cloud revenue, a 28% increase, while "Azure and other cloud services revenue increased 40%." The release quoted CEO Nadella as stating: "Our planet-scale cloud and AI factory, together with Copilots across high value domains, is driving broad diffusion and real-world impact It's why we continue to increase our investments in AI across both capital and talent to meet the massive opportunity ahead." CFO Hood added: "We delivered a strong start to the fiscal year, exceeding expectations across revenue, operating income, and earnings per share Continued strength in the Microsoft Cloud reflects the growing customer demand for our differentiated platform."

33. Also on October 29, 2025, Microsoft filed with the SEC a 1Q26 quarterly report on Form 10-Q, which was signed by CEO Nadella and CFO Hood who attested to the report's accuracy and material completeness. The Form 10-Q contained the same financial information regarding Microsoft's Azure and Intelligent Cloud offerings contained in the 1Q26 release. The Form 10-Q continued: "Azure and other cloud services revenue grew 40% driven by demand for our portfolio of services with continued growth across all workloads."

34. That same day, Microsoft hosted an earnings conference call with analysts and investors to discuss the Company's 1Q26 results hosted by CEO Nadella and CFO Hood. In his prepared remarks, CEO Nadella touted the recently announced restructuring of Microsoft's partnership with OpenAI and the Company's purportedly market-leading AI capabilities, stating:

And as you saw yesterday, we closed a new definitive agreement with OpenAI, marking the next chapter in what is one of the most successful partnerships and investments our industry has ever seen. This is a great milestone for both companies, and we continue to benefit mutually from each other's growth across multiple dimensions.

Already, we have roughly 10x-ed our investment. OpenAI has contracted an incremental \$250 billion of Azure services, our rev share, exclusive IP rights and API exclusivity for Azure continue until AGI or through 2030. And we have extended the model and product IP rights through 2032. And we are also energized to innovate and pursue AI advancements with both talent and compute investments that have real-world impact.

With that, let's turn to our momentum across our AI platform and Copilots as well as with agents. ***We have the most expansive data center fleet for the AI era, and we are adding capacity at an unprecedented scale. We will increase our total AI capacity by over 80% this year and roughly double our total data center footprint over the next two years, reflecting the demand signals we see.*** Just this quarter, we announced the world's most powerful AI data center, Fairwater in Wisconsin, which will go online next year and scale to 2 gigawatts alone.

And we have deployed the world's first large-scale cluster of NVIDIA GB300s. We are building a fungible fleet that's been continuously modernized and spans all stages of the AI life cycle from pretraining to post training to synthetic data generation and inference. And it also goes beyond GenAI workloads to recommendation engines, databases, and streaming. ***We're optimizing this fleet across silicon systems and software to maximize performance and efficiency.***

35. Later in his prepared remarks, CEO Nadella elaborated on the purported demand and capabilities of Copilot, calling Copilot "best-in-class" according to multiple third-party benchmarks:

We are seeing increasing demand and diffusion of our AI platform and family of Copilots, which is fueling our investments across both capital and talent.

* * *

Now let's turn to applications and agents we ourselves are building on this platform. We now have 900 million monthly active users of our AI features across our products. And our first-party family of Copilots now has surpassed 150 million monthly active users across the information work, coding, security, science, health, and consumer.

When it comes to information work, we continue to innovate with Microsoft 365 Copilot. ***Copilot is becoming the UI for the agentic AI experience.*** We have

integrated chat and agentic workflows into everyday tools like Outlook, Word, Excel, PowerPoint, and Teams. ***Just nine months since release, tens of millions of users across Microsoft 365 customer base are already using chat. Adoption is accelerating rapidly, growing 50% quarter over quarter, and we continue to see usage intensity increase.***

This quarter, we also introduced agent mode, which turns single prompts into export quality Word documents, Excel spreadsheets, PowerPoint presentation and then iterate to deliver the final product much like agent mode in coding tools today. ***We're thrilled by the early response, including third-party benchmarks that rank it best-in-class.***

Beyond individual productivity, Copilot is multiplayer, (technical difficulty) agents like Facilitator and Project Manager, prep meeting agendas, take notes, capture decision, kick off group tasks.

We are seeing a growing Copilot agent ecosystem with top ISVs like Adobe, Asana, Jira, LexisNexis, SAP, ServiceNow, Snowflake and Workday, all building their own agents that connect to Copilot. And customers are also building agents for their mission-critical business processes and workflows using tools like Copilot Studio and integrating them into Copilot.

The overall number of agent users doubled quarter over quarter. And just yesterday, we announced App Builder, a new Copilot agent that lets anyone create and deploy task-specific apps and agents in minutes grounded in Microsoft 365 context.

All this innovation is driving our momentum. Customers continue to adopt Microsoft 365 Copilot at a faster rate than any other new Microsoft 365 suite, all up more than 90% of the Fortune 500 now use Microsoft 365 Copilot, Accenture, Bristol-Myers Squibb, EY Global and the UK's Tax and Payments and Customs Authority all purchased over 15,000 seats this quarter. Lloyds Banking Group has deployed 30,000 seats, saving each employee an average of 46 minutes daily.

And a large majority of our enterprise customers continue to come back to purchase more seats. Our partner, PwC, alone added 155,000 seats this quarter and now has over 200,000 deployed across its global operations. In just six months, PwC employees interacted with Microsoft 365 Copilot over 30 million times, and they credit this identic transformation with saving millions of hours in employee productivity.

36. On December 2, 2025, Microsoft's EVP E&D Jha presented at the UBS Global Technology and AI Conference. When he was asked about consumer adoption of Copilot, EVP E&D Jha responded that the "intensity" of Copilot usage was increasing, stating:

As we recently disclosed, *two quarters in a row, the daily active engagement with Copilot has more than doubled, quarter over quarter. That, to me, is a real sign of product with increased intensity of usage and more users engaging with the Copilot experience.*

Another one I would point to: Maybe a couple of quarters ago, we said, what, 70% of the Fortune 500 had Copilot. Now, that's up to 90%.

I do think the ARPU growth is a good one to think about. As we discussed, most of our seat growth today is in lower ARPU base: small businesses, first-line workers. *The fact that our ARPU growth has been stable, Copilot is a contributor to that.*

37. Later, in response to a question about Copilot's trajectory, EVP E&D Jha represented that there were several "things that are already elevating the capabilities of Copilot," continuing:

I think the first is *the reasoning model finally unlocks AI and graphical user interfaces to work much more effectively.* I'm very excited in the January, February timeframe. You're going to see agent mode inside of Office, inside of Excel, inside of Word, inside of PowerPoint, in your calendar, in your meeting, inside your Teams channel. That is going to be a big one.

It's one thing to go and say there's AI off on the side, which I think is a very interesting user experience because you get to express your intent in a natural language, but then, to be able to take that same capability and bring that to existing workflows that hundreds of millions of people are already on with a graphical user interface and have those two coexist, I think the agent mode is going to be a big unlock. That's thing 1.

The second thing is what we talked about: enabling more Agentic workflows. *This is where Agent 365 as a governance and a compliance plane enables customers to go without the worry of a sprawl or a management issue on their hands.*

Finally, with Copilot, we brought multiple sources of intelligence into Copilot. Just like if I hire an employee with liberal arts background to work on a project and I hire an employee with a STEM background to work on a project, they're going to bring different strengths. *And so with Copilot, it's not just about the model. It's about how the models come together with the graphical user interface, the innate capabilities of the model, multiple lineages of the model to actually deliver the outcome or the workflow that you're planning to go do, whether in our applications or agents that you will build on your own.*

38. When asked about competitive threats for Copilot, and specifically Google's Gemini, EVP E&D Jha stated that Copilot offered numerous unique differentiators and consistently outperformed the competition, stating:

Let me first just say, look, with – let me talk about Copilot, what's differentiated, what's unique?

The first thing we got to do is to make sure we meet users' expectations with what they expect Generative AI to do: be a great writer, be a great analyzer, be able to tell you the weather, create an image, and all of that stuff.

That's [table stakes]. We're going to go do that. We're going to be competitive like any other Gen AI tool on that.

Now, let's talk about what's unique and what's differentiated.

The first thing is what we call Work IQ, which is understanding your work context. Most of the people powering economic activity around the globe are on M365. Work IQ gives us a pretty good understanding of the projects that matter to you, who your work group is, what events are interesting, who are your customers, your e-mails, your meetings, your documents. We have a pretty good understanding of that stuff.

Then, you'll hear the other tools talk about connectors. Connector is trying to drink through a very thin straw and understand your work context. Now, you can take many sips from a thin straw, it is still a thin straw.

And so we have customers who've done side-by-side analysis of Copilot in the context of your work and connector-based things and the gap is very significant and growing. Anyway, that's just thing one.

Thing two, though, as people use Copilot, both as a new endpoint, as a peer to what Excel, PowerPoint, Outlook, Teams – as a pure endpoint. But they have billions of transactions every hour that go through these applications.

We have an opportunity to serve the same Work IQ intelligence with agent mode inside of these existing applications that people use. ***We can uniquely do that well.*** That's thing two.

Thing three, human-to-human collaboration, communication, productivity, highly regulated. We have 15 years' experience on how to do eDiscovery, sensitivity label, all sorts of things, legal hold, data classification, data governance.

All of that works with human-to-AI conversations in Copilot automatically for customers. Our 15 years of maturity on that stuff is enterprise-grade maturity

and human-to-human productivity. Human and AI productivity gets all of that for free. The other providers are going to have to go build all of that capability.

Thing 4, can I keep going or you can keep coming?

Thing 4, though, it's, like, can I go back to – we are not beholden to a model, we are beholden to the best outcome. And so we will build experiences that are powered by whether it be our IP partner, OpenAI, whether it be Anthropic, whether it be Copilot tuning, whether it be an open source model whose weights you want to go create as your own unique IP. We are multi-model.

Finally, the more important thing that – and I go back to the comment I made earlier, if you think that the future workforce is going to have more agents than humans – (inaudible) this is going to be true in every organization, how is the human supposed to get work?

I thought that the beauty of AI was I don't have to worry about tools anymore. I have one natural language interface that abstracts away the tools and I express my intent.

In a world where, now, I'm surrounded by hundreds of agents that are semi-autonomous, some that I'm managing, some that I have to rendezvous with, how does a human navigate all of that stuff?

Copilot is going to be the UI through which they orchestrate the agent. We are going to be the search engine for these agents. We're going to be the relevance engine for these agents. We're going to be the orchestration engine for these agents.

IT is going to have a bunch of controls. Karl, you're in this department. These following agents are the most relevant to you. Your work group will create an agent that you tend to use a lot. Copilot will know to use that.

So when you put all of these things together, I really like our ability to go serve M365 customers with M365 Copilot.

39. On December 5, 2025, Microsoft held its Annual Shareholders Meeting, which was hosted by CEO Nadella, CFO Hood, and other Microsoft executives. During the meeting, CEO Nadella highlighted the purported “major advances in AI innovation” that had occurred in Microsoft’s “family of Copilots.” CFO Hood similarly emphasized Microsoft Windows’ purported “best in class AI capabilities.”

40. Later, several Microsoft executives gave examples of these claimed capabilities in action. For example, Microsoft 365 Copilot Director Callie August claimed that “Copilot doesn’t just access your work data, it actually understands it.” She continued: “We call this work IQ, and it’s the intelligence layer behind Microsoft 365 Copilot and agents that helps Copilot understand you, your job, and your company. This enables Copilot to give you more accurate, relevant, and personalized responses.”

41. During the shareholder meeting, CEO Nadella also discussed the AI-readiness of the Company’s cloud infrastructure, stating it was already “obviously at scale and building out rapidly”:

So for example, our infrastructure business, one of the great opportunities we now get is to build out our cloud infrastructure so that it’s AI ready for what is going to be the token factories or the intelligence factories. So that’s sort of our number one priority. We’re obviously at scale and building out rapidly. The layer above that. Is you want to use these token factories to create AI agents, so there’s a new app server being born, and that’s where things like Foundry and GitHub Copilot and all come together so that we can then enable our developers and you know our partners to build great agents.

And then the layer above that is where the high value domains in which we, have always participated, information work, right? That’s where Microsoft 365 Copilot comes in. Software development with Gitup Copilot or security Copilot or what we’re doing in business applications and of course in the consumer space, so we’re taking a pretty full stack approach, but the real goal is for not only for us to reimagine the current categories and also build new extensions.

42. The statements referenced in ¶¶23-41 above were materially false and/or misleading when made because they failed to disclose the following adverse facts pertaining to the Company’s business, operations, and financial condition, which were known to defendants or recklessly disregarded by them as follows:

(a) that Microsoft’s Copilot family of products had experienced significant brand positioning, user experience, usage, data siloing, computational capacity, organizational, and interoperability problems;

(b) that Microsoft's flagship proprietary AI model ranked well below competitors on a number of benchmark tests;

(c) that Microsoft needed to increase by billions of dollars its capital expenditures and divert GPU and CPU capacity away from fulfilling demand for its profitable Azure services in order to improve the competitive positioning of its critical Copilot family of products and increase its AI-related R&D; and

(d) that, as a result of (a)-(c) above, Microsoft had failed to convert a significant percentage of its commercial Microsoft 365 users to paid Copilot subscriptions and the Company's Copilot offerings had lost market share to rival products, a trend that was increasing.

43. Furthermore, Item 303 of SEC Regulation S-K, 17 C.F.R. §229.303(b)(2)(ii) ("Item 303"), required defendants to "[d]escribe any known trends or uncertainties that have had or that are reasonably likely to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations." Similarly, Item 105 of SEC Regulation S-K, 17 C.F.R. §229.105 ("Item 105"), required, in the "Risk Factors" section of registration statements and prospectuses, "a discussion of the material factors that make an investment in the registrant or offering speculative or risky" and required each risk factor to "adequately describe[] the risk."

44. The failure of Microsoft's periodic SEC filings to disclose the problems detailed herein regarding the development and customer adoption of Copilot products and Microsoft's proprietary AI models violated Item 303, because these undisclosed facts were known to defendants and would (and did) have an unfavorable impact on the Company's sales, revenues, and income from continuing operations. This failure also violated Item 105, because these adverse facts created significant risks that were not disclosed even though they were some of the most significant factors that made an investment in Microsoft stock speculative or risky. Indeed, the risk disclosures contained in Microsoft's periodic SEC filings were themselves materially misleading, presenting potential, future contingent risks as mere possibilities (e.g., "[i]neffective or inadequate AI development or deployment practices by Microsoft or others *could* result in

incidents that impair the acceptance of AI solutions, cause harm to individuals, customers, or society, or result in our products and services not working as intended”), while concealing adverse developments in Microsoft’s Copilot products and services and other AI-related offerings that had *already* occurred and making the numerous affirmative misrepresentations about those same products and services detailed herein.

45. Then, on January 28, 2026, Microsoft announced disappointing results for its fiscal second quarter ended December 31, 2025 (“2Q26”). First, during the quarter Microsoft’s Azure growth had slowed suddenly and fallen below analyst expectations. During the related earnings call, CFO Hood revealed that the slower Azure growth was primarily due to computational capacity constraints, as the Company had diverted central processing unit (“CPU”) and graphics processing unit (“GPU”) capacity to Copilot applications and AI-related research and development (“R&D”). Second, Microsoft revealed that its capital expenditures had increased to \$37.5 billion during the quarter, causing the Company’s capital expenditures for the first six months of its fiscal 2026 to balloon to \$72.4 billion compared to \$88.2 billion for *all* of Microsoft’s fiscal 2025. The reason for the dramatic growth in capital expenditures was again largely attributed to AI-related R&D and Copilot development and capacity buildout costs. Third, Microsoft revealed, for the first time, that the number of paid Microsoft 365 Copilot seats totaled only 15 million to date, materially below analyst estimates and a fraction of the more than 450 million commercial Microsoft 365 users.

46. On this news, the price of Microsoft shares declined over \$48 per share, from \$481.63 per share at market close share on January 28, 2026 to \$433.50 per share at market close on January 29, 2026, on abnormally high trading volume of nearly 129 million shares traded.

47. On February 3, 2026, *The Wall Street Journal* revealed, in an article titled “Microsoft’s Pivotal AI Product Is Running Into Big Problems,” that severe challenges and functionality issues had plagued Microsoft’s Copilot offerings, leading to Copilot losing market share during the Class Period to competing products such as Google’s Gemini. The article reported

that “[c]onfusing brand positioning and interoperability problems have frustrated users, current and former employees who have worked on Microsoft’s AI products said” and that “[o]nly a small proportion of subscribers to Microsoft’s enterprise suite use Copilot, and the percentage who favor it over Google’s Gemini or other tools has decreased in recent months.” The article continued:

Previously unreported data shows that Copilot subscribers, including those with corporate accounts, are increasingly favoring competing options.

From last July through late January, the percentage of Copilot subscribers who use the product as a primary option decreased from 18.8% to 11.5%, according to a survey of more than 150,000 respondents in the U.S. by market research firm Recon Analytics. This happened while the share of paid users who choose Google’s Gemini as the first option increased from 12.8% to 15.7%.

* * *

Those surveyed who switched from Copilot said they found better quality elsewhere, with some citing poor user experience and restrictive usage limits. Workers who have access to subscriptions for Copilot, ChatGPT and Gemini choose ChatGPT and Gemini at a higher rate than Copilot, the Recon data shows.

Some companies are using only about 10% of the Copilot subscription seats they are paying for, according to a recent note by analysts at Citi Research. “Disorganized data silos” have been an issue for Copilot, analysts wrote.

* * *

Customer surveys by Microsoft have shown that users have been confused by the multiple versions of Copilot, people familiar with the matter said. Some users have long complained about Copilot being forced onto them, popping up on everything from documents to the browser.

One issue cited by current and former employees is the lack of a cohesive experience across the different Copilots, a user pain point Nadella has flagged in the past. About a year ago, Nadella sent a frustrated email to Rajesh Jha, executive vice president of experiences and devices, detailing an incident in which Nadella had asked the enterprise version of Copilot on the Edge browser to help with a public webpage he was on, but it couldn’t fulfill his prompt, according to people familiar with the email.

* * *

Some employees said an organizational silo between Suleyman’s consumer-focused team and teams working on enterprise versions has made it challenging to achieve a unified vision.

The effort to train proprietary models has also been hampered by a shortage of computing capacity, with the company rationing server time to ensure availability for OpenAI and other customers of its Azure cloud service. On a number of benchmark tests, Microsoft's flagship proprietary AI model ranks well below competitors.

48. The price of Microsoft stock continued to fall in the days after Microsoft's 2Q26 earnings announcement as the market continued to digest the adverse news and sources such as *The Wall Street Journal* revealed new adverse information, falling below \$393 per share on February 5, 2026.

49. On February 11, 2026, analysts at Melius Research LLC published a research note linking Microsoft's decision to divert Azure capacity to fix apparent flaws in Copilot as a "no-win situation" that was likely to plague the Company for the foreseeable future. The analysts wrote that "Copilot Woes and Azure are Linked" and that "the better the AI assistants get from competitors, the more Microsoft will seem behind in Copilot and its other AI tools – and then will need to spend more to invest in them, consuming the upside in Azure for their own purposes."

50. On March 17, 2026, *The Wall Street Journal* revealed in an article titled "Microsoft Seeks More Coherence in AI Efforts With Copilot Reorganization" that Microsoft was reorganizing its Copilot product teams to unify commercial and consumer versions partly in response to the challenges revealed by *The Wall Street Journal's* prior reporting on Copilot's problem-plagued development and disappointing customer adoption.

51. As a result of this news, price of Microsoft stock continued to fall, dropping to a low of just \$380 per share by March 20, 2026 – 30% below the Class Period high.

52. On April 29, 2026, Microsoft announced results for its fiscal third quarter ended March 31, 2026. During the accompanying earnings call, defendant Hood revealed that the Company had increased its planned capital expenditures for calendar 2026 to \$190 billion, \$37 billion more than analyst expectations according to BofA Securities.

53. On June 2, 2026, Evercore hosted Microsoft's CFO of Commercial Products and Infrastructure Mat McBride ("McBride") at its TMT Conference. During the interview, McBride

was asked about the “perception that Copilot’s not delivering what people want.” In response, McBride stated the Company had been working to “improve[] the product rapidly over the last year,” which included the launch of “625 new features,” such that the “product is way different than it was 90 days ago.”

54. Despite these purported improvements, Copilot has continued to lose market share according to third-party tracking services. For example, according to First Page Sage, which describes itself as “an SEO and thought leadership marketing company with offices throughout the U.S.,” Copilot held an 8.7% market share among top generative AI chatbots in June 2026, down significantly from Copilot’s 14.3% market share in June 2025 as measured by the service. According to First Page Sage, during this time period Copilot fell from the second most used generative AI chatbot by market share to the fourth most used generative AI chatbot.

55. As a result of the revelations detailed herein undermining defendants’ Class Period representations, plaintiff and the Class (defined herein) have suffered significant financial losses and economic damages under the federal securities laws.

ADDITIONAL SCIENTER ALLEGATIONS

56. As alleged herein, defendants acted with scienter in that defendants knew, or recklessly disregarded, that the public documents and statements they issued and disseminated during the Class Period to the investing public in the name of the Company, or in their own name, were materially false and misleading. Defendants knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements and documents as primary violations of the federal securities laws. Defendants, by virtue of their receipt of information reflecting the true facts regarding Microsoft, and their control over and/or receipt and/or modification of Microsoft’s allegedly materially misleading misstatements, were active and culpable participants in the fraudulent scheme alleged herein.

57. Defendants knew and/or recklessly disregarded the false and misleading nature of the information they caused to be disseminated to the investing public. Accordingly, the fraud

described herein could not have been perpetrated during the Class Period without the knowledge and complicity of, or at least the reckless disregard by, personnel at the highest levels of the Company, including the Individual Defendants.

58. The Individual Defendants, because of their positions with Microsoft, controlled the contents of Microsoft's public statements during the Class Period. The Individual Defendants were each provided with or had access to the information alleged herein to be false and/or misleading prior to or shortly after its issuance and had the ability and opportunity to prevent its issuance or cause it to be corrected. Because of their positions and access to material, nonpublic information, the Individual Defendants knew or recklessly disregarded that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations that were being made were false and misleading. As a result, each of the defendants is responsible for the accuracy of Microsoft's corporate statements and is, therefore, responsible and liable for the representations contained therein.

59. In addition, the Individual Defendants were each personally involved in the development of Microsoft's Copilot offerings and/or customer adoption and repeatedly held themselves out to the market as the Microsoft executives most knowledgeable and competent to speak on such topics during discussions with investors, analysts, and the media. During McBride's June 2026 Evercore interview, for example, he described how the Company's most-senior leadership, which would include the Individual Defendants, methodically developed and oversaw the Company's AI infrastructure buildout in consultation with the Board given its scale, expected duration, and importance to the Company, likening the effort to prior cloud computing initiatives. Moreover, as documented by *The Wall Street Journal's* reporting, the Individual Defendants were personally and directly involved in identifying and attempting to remediate the Copilot problems detailed herein, yet failed to accurately and timely disclose such issues to the market while simultaneously making the materially false and misleading statements attributed to them herein. As a result, there is a compelling inference that each Individual Defendant knew, or was reckless

in not knowing, of their materially false and misleading nature at the time each statement was made that is at least as compelling as any non-culpable inference.

60. The Individual Defendants also had the motive and opportunity to commit fraud. For example, defendant Nadella sold over \$75 million worth of Microsoft shares during the Class Period at prices above \$500 per share. These sales were suspicious, in excess of defendant Nadella's insider trading practices in each of the three years prior to the start of the Class Period, and at prices substantially above the price to which Microsoft stock fell at the end of the Class Period following the corrective disclosures detailed herein.

CLASS ACTION ALLEGATIONS

61. Plaintiff brings this action as a class action on behalf of a class consisting of all persons who purchased Microsoft common stock during the Class Period (the "Class"). Excluded from the Class are defendants and their families, the officers, directors, and affiliates of defendants, at all relevant times, and members of their immediate families, and their legal representatives, heirs, successors, or assigns, and any entity in which defendants have or had a controlling interest.

62. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, shares of Microsoft common stock were actively traded on the Nasdaq. While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff believes that there are thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Microsoft or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions, including being given an opportunity to exclude themselves from the Class.

63. Plaintiff's claims are typical of the claims of the members of the Class, as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

64. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

65. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether defendants' statements during the Class Period were materially false and misleading;

(b) whether defendants acted with scienter in issuing materially false and misleading statements during the Class Period; and

(c) the extent of injuries sustained by the members of the Class and the appropriate measure of damages.

66. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

LOSS CAUSATION

67. During the Class Period, as detailed herein, defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of Microsoft common stock and operated as a fraud or deceit on Class Period purchasers of Microsoft common stock by failing to disclose and misrepresenting the adverse facts detailed herein. When defendants' prior misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the price of Microsoft common stock declined significantly as the prior artificial inflation came out of the price of the stock, as detailed herein. As result of their purchases of Microsoft common stock during the Class Period, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

**APPLICATION OF THE PRESUMPTION OF RELIANCE:
FRAUD ON THE MARKET**

68. At all relevant times, the market for Microsoft common stock was an efficient market for the following reasons, among others:

- (a) Microsoft common stock met the requirements for listing and was listed and actively traded on the Nasdaq, a highly efficient, national stock market;
- (b) as a regulated issuer, Microsoft filed periodic public reports with the SEC;
- (c) according to the Company's Form 10-Q for the fiscal quarter ended December 31, 2025 filed with the SEC on January 28, 2026, Microsoft had over 7.4 billion common shares outstanding as of January 22, 2026;
- (d) Microsoft regularly communicated with public investors via established market communication mechanisms, including the regular dissemination of press releases on national circuits of major newswire services, the Internet, and other wide-ranging public disclosures; and
- (e) unexpected material news about Microsoft was rapidly reflected in and incorporated into prices for shares of Microsoft common stock during the Class Period.

69. As a result of the foregoing, the market for Microsoft common stock promptly digested current information regarding Microsoft from all publicly available sources and reflected such information in the price of the stock. Under these circumstances, all purchasers of Microsoft common stock during the Class Period suffered similar injury through their purchases of Microsoft common stock at artificially inflated prices and a presumption of reliance applies.

70. A Class-wide presumption of reliance is also appropriate in this action under the Supreme Court's holding in *Affiliated Ute Citizens v. United States*, 406 U.S. 128 (1972), because the Class's claims are, in large part, grounded on defendants' material misstatements and/or omissions. Because this action involves defendants' failure to disclose material adverse information regarding the Company's business operations and financial prospects – information

that defendants were obligated to disclose – positive proof of reliance is not a prerequisite to

recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered them important in making investment decisions. Given the importance of the Class Period material misstatements and omissions set forth above, that requirement is satisfied here.

NO SAFE HARBOR

71. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pled in this complaint. Many of the specific statements pled herein were not identified as “forward-looking statements” when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pled herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false and/or the forward-looking statement was authorized and/or approved by an executive officer of Microsoft who knew that those statements were false when made.

COUNT I

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Promulgated Thereunder Against All Defendants

72. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

73. During the Class Period, the defendants named herein disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

74. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- (a) employed devices, schemes, and artifices to defraud;
- (b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- (c) engaged in acts, practices, and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Microsoft common stock during the Class Period.

75. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Microsoft common stock. Plaintiff and the Class would not have purchased Microsoft common stock at the prices they paid, or at all, if they had been aware that the market price had been artificially and falsely inflated by defendants' misleading statements.

76. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their purchases of Microsoft common stock during the Class Period.

COUNT II

For Violation of §20(a) of the 1934 Act Against All Defendants

77. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

78. During the Class Period, the Individual Defendants acted as controlling persons of Microsoft within the meaning of §20(a) of the 1934 Act. By virtue of their positions and their power to control public statements about Microsoft, ownership of Microsoft stock, and relationships with the Company, the Individual Defendants had the power and ability to control the actions of Microsoft and its employees.

79. Microsoft controlled the Individual Defendants and all of its other officers and employees.

80. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for relief and judgment, as follows:

A. Determining that this action is a proper class action, designating plaintiff as Lead Plaintiff, and certifying plaintiff as a Class representative under Rule 23 of the Federal Rules of Civil Procedure and plaintiff's counsel as Lead Counsel;

B. Awarding compensatory damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

C. Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper, including permitting any putative Class members to exclude themselves by requesting exclusion through noticed procedures.

JURY DEMAND

Plaintiff hereby demands a trial by jury.