

SECURITIES AND EXCHANGE COMMISSION

PRE-EFFECTIVE AMENDMENT NO. 2

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

MICROSOFT CORPORATION

(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction
of incorporation or organization)

91-1144442
(IRS Employer
Identification No.)

One Microsoft Way
Redmond, Washington 98052-6399
(425) 882-8080
(Address, including zip code, and telephone
number including area code, of registrant's principal
executive office)

Robert A. Eshelman
General Counsel, Finance and Operations
One Microsoft Way
Redmond, Washington 98052-6399
(425) 882-8080
(Name, address, including zip code, and telephone number,
including area code, of agent for service)

Copies of all communications to:

Christopher H. Cunningham
Preston Gates & Ellis LLP
5000 Bank of America Tower
701 Fifth Avenue
Seattle, Washington 98104-7078

Approximate date of commencement of proposed sale to the public: At such time or times after the effective date of this Registration Statement as the selling shareholders shall determine.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said section 8(a), may determine.

The Index to Exhibits is located at Page II-4.

PROSPECTUS

MICROSOFT CORPORATION
163,130 Common Shares

This prospectus is part of a registration statement that covers 163,130 shares of our common stock issuable upon the exercise of options granted to certain former directors and employees of Visio Corporation. Visio Corporation was merged with a wholly-owned subsidiary of Microsoft on January 7, 2000. We will bear the costs relating to the registration of the common shares estimated to be approximately \$18,000.

The common shares are traded on the Nasdaq Stock Market under the symbol MSFT. The average of the high and low prices of the common shares as reported on the Nasdaq Stock Market on February 17, 2000 was \$98.41 per common share.

AN INVESTMENT IN OUR COMMON STOCK INVOLVES RISKS, PLEASE SEE "RISK FACTORS" BEGINNING ON PAGE 3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is February __, 2000

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You should rely only on the information contained or incorporated by reference in this prospectus and in any accompanying prospectus supplement. No one has been authorized to provide you with different information.

The common shares are not being offered in any jurisdiction where the offer is not permitted.

You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of the documents.

THE COMPANY

Microsoft Corporation was founded as a partnership in 1975 and incorporated in 1981. Microsoft develops, manufactures, licenses, sells, and supports a wide range of software products, including:

- . operating system software (for example, Microsoft Windows 98, Windows NT, and Windows CE) designed for personal computers, servers, handheld personal computers and other information devices;
- . server applications software (for example, Microsoft Exchange Server and Microsoft SQL Server) designed for client/server environments;
- . business and consumer applications software (for example, Microsoft Word; Microsoft Excel and Microsoft Outlook);
- . software development tools; and
- . Internet and intranet software and technologies.

Microsoft's efforts also include:

- . development of entertainment and information software programs;
- . development of the MSN(TM) network of Internet products and services;
- . alliances with companies involved with the creation and delivery of digital information;
- . sales of personal computer devices such as the Microsoft Mouse and the Microsoft Natural Keyboard;
- . publication of software-related books; and
- . research and development of advanced technologies for future software products.

Microsoft's business strategy is to develop a broad line of software products for business and personal use, and to distribute these products through diverse channels, including distributors, resellers, system integrators, retail stores, and preinstalled on new computer hardware.

Microsoft is organized as a Washington corporation with its principal executive offices located at One Microsoft Way, Redmond, Washington 98052-6399. Our telephone number is (425) 882-8080 and our electronic mail address is msft@microsoft.com.

RISK FACTORS

While we are optimistic about our long-term prospects, the following risk factors, among others, should be considered in evaluating any investment in our common stock:

Technology changes rapidly in our business and we must keep up with such changes in order to compete in the software industry.

Rapid change, uncertainty due to new and emerging technologies, and fierce competition have always characterized the PC software industry. This pace of change continues to accelerate today, including the advent of open source software, new computing devices, new microprocessor architectures, the Internet, and Web-based computing models. We must continue to develop new and innovative software solutions or future revenue may not duplicate historical growth rates.

Because the software industry is intensely competitive, we must keep pace with companies who promote competing software platforms and technologies.

While we work closely with OEMs and developers, other companies promote their platforms and technologies against our products and existing industry standards. These operating systems, platforms, and products may gain popularity with customers, OEMs, and developers, reducing our future revenue.

In order to maintain our leadership position in the software industry, we must continue to pursue future initiatives.

We continue to expand our efforts to provide and support mission-critical systems to large enterprises. In addition, we are developing a Windows-based platform and a set of key services for our customers that build on that platform. The platform will combine Internet-hosted platform services with the power of Windows-based PCs, servers, and non-PC devices. Future revenue from these initiatives may not duplicate historical revenue growth rates.

Since a substantial portion of our revenues are generated from sales of PC's, a decline in PC growth rates would negatively impact our revenue growth rates.

The underlying PC unit growth rate and percentage of new PCs acquired as replacement units directly impact our software revenue growth. Additionally, inexpensive PCs and specialty devices create less demand for our software than traditional PCs. The PC shipment growth rate may continue to decrease, the replacement rate may continue to increase, and limited-use PC growth may increase, reducing future software revenue opportunity.

Future product prices may decrease from historical levels, depending on competitive market and cost factors.

European and Asian software prices vary by country and are generally higher than in the United States to cover localization costs and higher costs of distribution. Increased global license agreements, European monetary unification, tariffs, or other factors could erode such price uplifts in the future and reduce future revenue opportunity.

Product upgrades and potential market saturation may depress future revenue growth.

Product upgrades that enable users to upgrade from earlier versions of our products or from competitors' products have lower prices and margins than new products. Also, penetration of our desktop applications into large organizations is becoming saturated. These factors are likely to depress future desktop applications revenue growth.

Developing and localizing software is expensive, and the investment in product development often involves a long payback cycle.

We plan to continue significant investments in software research and development, including online initiatives. Significant revenue from these product opportunities is not anticipated for a number of years. Total spending for R&D will increase over historical levels.

Since we do business globally, our business is significantly impacted by international operations.

Much of our operations are conducted outside of the United States, and a large percentage of sales, costs of manufacturing, and marketing is transacted in local currencies. As a result, our international results of operations are subject to local economic environments and foreign exchange rate fluctuations.

Intellectual property rights are key intangible assets to our business and are difficult to protect.

We diligently defend our intellectual property rights, but unlicensed copying of software represents a loss of revenue. While this adversely affects U.S. revenue, revenue loss is even more significant outside of the United States, particularly in countries where laws are less protective of intellectual property rights. Throughout the world, we actively educate consumers on the benefits of licensing genuine products and educate lawmakers on the advantages of a business climate where intellectual property rights are protected. However, continued efforts may not affect revenue positively.

Our business is often subject to various litigation actions including antitrust proceedings with various governmental entities and other legal proceedings.

Litigation regarding intellectual property rights, patents, and copyrights occurs in the PC software industry. In addition, there are government regulation and investigation risks along with other general corporate legal risks. Finally, we are currently a party to various antitrust actions brought by the U.S. government and various states, as well as a number of private antitrust litigation claims. While Microsoft believes that resolving these claims will not have a material adverse impact on the Company's financial position or its results of operations, an adverse final decision in these

actions could materially affect our operations and potentially cause the price of our common stock to decline over the short term.

We may not be able to maintain our present revenue growth rate or operating margins, and as a result, our operating results may suffer.

For the fiscal year ending June 30, 1998 and 1999, our revenue growth rate was 28% and 29% respectively. Our revenue growth rate in 2000 may not approach the level attained in prior years. Operating expenses are expected to increase from historical levels. Because of the fixed nature of a significant portion of such expenses, coupled with the possibility of slower revenue growth, operating margins may decrease from historical levels.

USE OF PROCEEDS

Upon the exercise of these options, we will receive the exercise price of each option unless the options are exercised on a cashless basis. If all of the options to purchase our common shares are exercised and the exercise price of all options is paid, we will receive \$3,801,506.28. We plan to use such proceeds for general corporate purposes.

PLAN OF DISTRIBUTION

Microsoft is offering the common shares covered by this prospectus to individuals who are former employees and directors of Visio Corporation. The common shares will be offered directly to such individuals on their exercise of stock options. Since the issuance of the common shares will be direct to such individuals, we will not utilize the services of an underwriter, broker or dealer. We will impose no fees, commissions or other charges on the exercise of a stock option.

OTHER EVENTS

Microsoft revenue and net income for the 30 days ended February 5, 2000 were \$1.69 billion and \$681 million. This information includes 30 days of combined operations with Visio Corporation, which merged in a share for share exchange with a wholly-owned subsidiary of Microsoft on January 7, 2000. Such transaction has been accounted for as a pooling of interests. This information is reported for purposes of complying with the Securities and Exchange Commission's Accounting Series Release 135. In the opinion of management, this information includes all adjustments (consisting only of normal recurring items) necessary for its fair presentation. Interim results are not necessarily indicative of the results of operations for Microsoft's third quarter or entire year of fiscal 2000.

LEGAL MATTERS

For purposes of this offering, Preston Gates & Ellis LLP, Seattle, Washington, is giving its opinion on the validity of the common shares. As of the date of this prospectus, attorneys in Preston Gates & Ellis LLP who have worked on substantive matters for Microsoft own fewer than 1,000,000 common shares.

EXPERTS

The consolidated financial statements of Microsoft for each of the three years in the period ended June 30, 1999, incorporated by reference in this Prospectus from Microsoft's Annual Report on Form 10-K, have been audited by Deloitte & Touche LLP, independent public accountants, as stated in their report which is incorporated herein by reference, and have been so incorporated in reliance upon such report given upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

- . Government Filings. We file annual, quarterly and special reports and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy any document that we file at the SEC's public reference rooms in Washington, D.C., New York, New York, and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to you free of charge at the SEC's web site at <http://www.sec.gov>. Most of our SEC filings are also available to you free of charge at our web site at <http://www.microsoft.com/MSFT>.
- . Stock Market. The common shares are traded as "National Market Securities" on the Nasdaq National Market. Material filed by Microsoft can be inspected at the offices of the National Association of Securities Dealers, Inc., Reports Section, 1735 K Street, N.W., Washington, D.C. 20006.
- . Information Incorporated by Reference. The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede previously filed information, including information contained in this document.

We incorporate by reference the documents listed below and any future filings we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until this offering has been completed:

1. Microsoft's Annual Report on Form 10-K, which includes various pages from its Annual Report to Shareholders, for the year ended June 30, 1999.
2. Microsoft's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.
3. Microsoft's Proxy Statement dated September 28, 1999.
4. The description of the common stock of Microsoft, which is contained in the registration statement of Microsoft filed on Form S-3, dated December 13, 1996.

You may request free copies of these filings by writing or telephoning us at the following address:

Investor Relations Department
Microsoft Corporation
One Microsoft Way
Redmond, Washington 98052-6399
(425) 882-8080
email: msft@microsoft.com

You may also review and/or download free copies of items 1, 2 and 3 at our web site at <http://www.microsoft.com/MSFT>.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The expenses relating to the registration of Shares will be borne by the registrant. Such expenses are estimated to be as follows:

Registration Fee --	
Securities and Exchange Commission	\$ 4,727.87
Accountants' Fees	\$ 5,000.00
Legal Fees	\$ 7,500.00
Miscellaneous	\$ 1,000.00

Total	\$18,227.87

Item 15. Indemnification of Directors and Officers.

Article XII of the Restated Articles of Incorporation of Microsoft authorizes Microsoft to indemnify any present or former director or officer to the fullest extent not prohibited by the WBCA, public policy or other applicable law. Chapter 23B.8.510 and .570 of the WBCA authorizes a corporation to indemnify its directors, officers, employees, or agents in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities (including provisions permitting advances for expenses incurred) arising under the 1933 Act.

The directors and officers of Microsoft are entitled to indemnification by each of the selling shareholders against any cause of action, loss, claim, damage, or liability to the extent it arises out of or is based upon the failure of any selling shareholder (or his donees, legatees, or pledgees) and each underwriter to comply with the Prospectus delivery requirements under the federal securities laws or any applicable state securities laws or upon any untrue statement or alleged untrue statement or omission or alleged omission made in this Registration Statement and the Prospectus contained herein, as the same shall be amended or supplemented, made in reliance upon or in conformity with written information furnished to Microsoft by such selling shareholder or such underwriter.

In addition, Microsoft maintains directors' and officers' liability insurance under which Microsoft's directors and officers are insured against loss (as defined in the policy) as a result of claims brought against them for their wrongful acts in such capacities.

Item 16. List of Exhibits.

The Exhibits to this registration statement are listed in the Index to Exhibits on page II-4.

Item 17. Undertakings.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the 1933 Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement;

provided, however, that paragraphs (1)(i) and (1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by Microsoft pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in this registration statement.

(2) That, for the purpose of determining any liability under the 1933 Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) For purposes of determining any liability under the 1933 Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(5) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the 1933 Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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INDEX TO EXHIBITS

Exhibit No. -----	Description -----	Location -----
5	Opinion of Counsel re: legality	Previously filed.
10.1	Visio Corporation 1990 Stock Option Plan, as amended	a
10.2	Visio Corporation 1995 Long-Term Incentive Stock Option Plan, as amended	b
10.3	Visio Corporation 1995 Stock Option Plan for Nonemployee Directors, as amended	c
23.1	Consent of Deloitte & Touche LLP as Independent Auditors	See attached.
23.2	Consent of Preston Gates & Ellis LLP	Previously filed.
24	Power of Attorney	Previously filed.

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- a Incorporated by reference to Exhibit 10.1 to the Annual Report on Form 10-K of Visio Corporation for the fiscal year ended September 30, 1997.
 - b Incorporated by reference to Exhibit 99.1 to Visio Corporation's Post-Effective Amendment No. 1 to the Registration Statement on Form S-8 (Registration No. 333-50619), effective June 18, 1998.
 - c Incorporated by reference to Exhibit 10.1 to Visio Corporation's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Pre-Effective Amendment No. 2 to Registration Statement No. 333-94499 of Microsoft Corporation on Form S-3 of our report dated July 19, 1999, incorporated by reference in the Annual Report on Form 10-K of Microsoft Corporation for the year ended June 30, 1999, and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

/s/ Deloitte & Touche LLP

Deloitte & Touche LLP
Seattle, Washington
February 18, 2000