

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**AMENDMENT NO. 3  
TO  
SCHEDULE TO**

**TENDER OFFER STATEMENT  
UNDER RULE 13e-4, SECTION 13(e) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
(Amendment No. 3)**

**MICROSOFT CORPORATION**

(Name of Subject Company (Issuer) and Filing Person (Offeror))

Employee Stock Options to Purchase Common Stock, Par Value \$0.00000625 Per Share,  
Having an Exercise Price Equal to or Greater Than \$33.00 Per Share

Share Appreciation Rights,  
Having a Grant Date Value Equal to or Greater Than \$33.00 Per Share  
(Title of Class of Securities)

**594918104**

(CUSIP Number of Class of Securities)  
(Underlying Common Stock)

**John Seethoff  
Deputy General Counsel, Finance & Operations  
Microsoft Corporation  
One Microsoft Way  
Redmond, Washington 98052-6399  
(425) 882-8080**

(Name, Address, and Telephone Number, of Person Authorized to Receive Notices and Communications  
on Behalf of Filing Persons)

*Copies to:*

**Richard B. Dodd  
Preston Gates & Ellis LLP  
925 Fourth Avenue Suite 2900  
Seattle, Washington 98104  
(206) 623-7580**

**Calculation of Filing Fee**

**Transaction valuation\***

**Amount of filing fee**

\$1,209,758,657

\$97,869

\* Calculated solely for purposes of determining the filing fee. This amount assumes that options to purchase 623,577,566 shares of common stock of Microsoft Corporation having an aggregate value of \$1,209,758,657 as of October 14, 2003, will be tendered by eligible Microsoft employees into the Stock Option Transfer Program. The aggregate value of such options was calculated using \$28.625, which was the average of the high and low per share price of Microsoft's common stock as reported on the Nasdaq National Market on October 14, 2003, and based on the pricing structure determined by Microsoft for any of a range of anticipated average prices of Microsoft common stock over an averaging period, such pricing structure for any given average price of Microsoft common stock generating a specific price for each option with the same exercise price per share and the same expiration date (as amended in accordance with the Stock Option Transfer Program). The amount of the filing fee, calculated in accordance with Rule 0-11(b) of the Securities Exchange Act of 1934, as amended, equals \$80.90 per million dollars of the value of the transaction.

Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid:	\$97,869
Form or Registration No.:	SC TO-I
Filing party:	Microsoft Corporation
Date filed:	October 15, 2003

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

- third party tender offer subject to Rule 14d-1.
- issuer tender offer subject to Rule 13e-4.
- going-private transaction subject to Rule 13e-3.
- amendment to Schedule 13D under Rule 13d-2.

Check the box if the filing is a final amendment reporting the results of the tender offer.

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## INTRODUCTORY STATEMENT

Microsoft Corporation, a Washington corporation (“Microsoft”), hereby amends the Tender Offer Statement on Schedule TO, originally filed on October 15, 2003, as amended (the “Schedule TO”), solely for the purpose of adding new exhibits (a)(15), (a)(16), (a)(17), (a)(18) and (a)(19).

**Item 12. Exhibits.**

<b>Exhibit Number</b>	<b>Description</b>
(a)(1)*	Notice to Eligible Employees of Stock Option Transfer Program, dated October 15, 2003.
(2)*	Employee Election Tool website pages.
(3)*	Election Form.
(4)*	Withdrawal Form.
(5)*	Cover letter sent to employees receiving Notice in paper copy.
(6)*	Microsoft Stock Services and Human Resources communication materials for use on or after October 15, 2003. <ul style="list-style-type: none"><li>(i) Stock Option Transfer Program Guide</li><li>(ii) Understanding the Stock Option Transfer Program</li><li>(iii) Factors To Consider</li><li>(iv) Stock Option Transfer Program Resources and Assistance</li><li>(v) Defined Terms Used in the Employee Election Tool</li><li>(vi) List identifying countries in which Stock Option Transfer Program proceeds will be paid through local payroll and in which proceeds will be paid through Mellon Investor Services</li></ul>
(7)*	Microsoft press release dated July 8, 2003, relating to employee compensation.
(8)*	Email communication from Steve Ballmer to Microsoft employees on July 8, 2003, relating to compensation.
(9)*	Email communication to Microsoft partners 68+ on October 13, 2003, relating to Stock Option Transfer Program.
(10)*	Email communication to Microsoft employees on October 15, 2003, relating to commencement of Stock Option Transfer Program.
(11)*	Email communication to Microsoft employees eligible to participate in Stock Option Transfer Program on October 15, 2003.
(12)**	Australian Offer Document and Addendum.
(13)***	Email communication to Microsoft employees eligible to participate in Stock Option Transfer Program on November 4, 2003, reminding them of the Election Deadline.
(14)***	Microsoft Stock Services and Human Resources supplemental communication materials for use on or after November 4, 2003.
(15)	Supplemental communication materials for use in the United Kingdom on or after November 7, 2003.
(16)	Email communication to Microsoft employees eligible to participate in Stock Option Transfer Program in Japan, for use on or after November 6, 2003.
(17)	Email communication to Microsoft employees eligible to participate in Stock Option Transfer Program in Canada, for use on or after November 7, 2003.
(18)	Email communication to Microsoft employees eligible to participate in Stock Option Transfer Program in Australia, for use on or after November 6, 2003.
(19)	Email communication to Microsoft employees eligible to participate in Stock Option Transfer Program for use on or after November 7, 2003, reminding them of the Election Deadline.
(d)(1)*	Registration Agreement between Microsoft Corporation, J.P. Morgan Securities Inc. and JP Morgan Chase Bank dated October 9, 2003.
(2)*	Engagement Letter between Microsoft Corporation and J.P. Morgan Securities Inc. dated October 9, 2003.
(3)*	Program Agreement between Microsoft Corporation and JPMorgan Chase Bank, dated October 9, 2003.
(4)*	Form of Call Option Transaction Confirmation to be entered into between Microsoft Corporation and JPMorgan Chase Bank.
(5)	Microsoft Corporation 2001 Stock Plan, as amended (incorporated herein by reference to Exhibit 10.1 to Microsoft Corporation's Annual Report on Form 10-K for the Fiscal Year Ended June 30, 2003, filed with the Securities Exchange Commission on September 5, 2003).

- (6) Microsoft Corporation 1991 Stock Option Plan, as amended (incorporated herein by reference to Exhibit 10.1 to Microsoft Corporation's Annual Report on Form 10-K for the Fiscal Year Ended June 30, 1997, filed with the SEC on September 29, 1997).
- (7)\* Microsoft Corporation 1997 Share Appreciation Rights Plan.
- (8) Visio Corporation 1990 Stock Option Plan, as amended (incorporated by reference to Exhibit 10.1 to Visio Corporation's Annual Report on Form 10-K for the fiscal year ended September 30, 1997, filed with the SEC on December 24, 1997).
- (9) Visio Corporation 1995 Long-Term Incentive Compensation Plan, as amended (incorporated herein by reference to Exhibit 99.1 to Visio Corporation's Post Effective Amendment No. 1 to Form S-8, filed with the SEC on June 18, 1998).

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\* Previously filed as an exhibit to the Schedule TO filed with the Securities and Exchange Commission on October 15, 2003.

\*\* Previously filed as an exhibit to Amendment No. 1 to the Schedule TO filed with the Securities and Exchange Commission on October 21, 2003.

\*\*\* Previously filed as an exhibit to Amendment No. 2 to the Schedule TO filed with the Securities and Exchange Commission on November 4, 2003.

**SIGNATURES**

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

**MICROSOFT CORPORATION**

By: /s/ Bradford L. Smith

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Bradford L. Smith  
Senior Vice President, General Counsel and Secretary

Date: November 7, 2003.

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## Microsoft Stock Option Transfer Program – Tax Implications (U.K.)

The Microsoft stock option transfer program (SOTP) is designed to enable you to realize some value for certain of your underwater stock options by transferring them to a third party, JPMorgan Chase Bank or an affiliate of JPMorgan Chase Bank, in return for a cash payment from Microsoft Corporation. The options eligible for transfer are all vested and unvested options with grant prices of US\$33 or greater, with an expiration date on or after February 28, 2004, and granted under certain option plans. Participation in the SOTP is up to individual employees, but each employee must choose between selling all or none of his or her eligible options. If you choose not to participate, you will simply keep your current options, and they will retain their current terms and conditions.

The cash payment you receive from Microsoft Corporation will be split into an initial payment and one or two contingent payments, depending on your employee level, unless the total amount of your payment is less than or equal to US\$20,000, in which case you will receive the total amount in one initial payment. The payout schedule is detailed in the table below:

	<b>Total Payment £ US\$20,000</b>	<b>Total Payment &gt; US\$20,000 (Levels 54-67)</b>	<b>Total Payment &gt; US\$20,000 (Levels 68+)</b>
Initial payment	100%	Greater of US\$20,000 or 33.33%	33.33%
1st contingent payment	—	Remainder	50% of remainder
2nd contingent payment	—	—	The remaining amount

The following example is intended to illustrate what the tax implications are for employees. This example is for **illustrative** purposes only, for an employee at Level 54-67 receiving US\$66,000 in total – split into an initial payment of US\$22,000 and a single contingent payment of US\$44,000. It is assumed that the employee is a higher rate tax payer who is resident and ordinarily resident in the UK. The tax rates used in the example are the current rates for 2003/04 as listed below:

<b>Tax Rates</b>	<b>2003/04</b>
Income tax	40%
National Insurance (NIC)	11% up to the maximum earnings limit of £595 per week (£30,960 per year) and an additional 1% above this limit

### Receipt of initial payment

Q1 – Are there any taxes to pay on the receipt of my initial payment ?

A1 – Yes – the initial payment is subject to income tax and national insurance which will be collected via payroll in December 2003.



Q2 – So how will this tax be collected?

A2 – You will receive the net payment after taxes have been withheld by Microsoft. For Microsoft UK this has been set at a standard 41% (based on current UK tax rates) for all employees (i.e., 40% tax and 1% NIC assuming the majority of employees are higher rate tax payers).

Q3 – So how will this tax be paid to the Inland Revenue?

A3 – Microsoft will transact the tax & NIC in your payslip and will pay over the amount due to the Inland Revenue on your behalf.

The following entries will be made in your payslip relating to your initial payment receipt, based on the example above:

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### Online Payslip (US\$)

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Pay and Allowances		Deductions		Balances	
Auto B Tax		Tax	8,800(2)	Gross Pay to Date	
Basic Pay		NI	220(2)	NI to Date	
SOTP Proceeds	22,000(1)	Flexi Deduction		Tax to Date	
Benefit Funding		ESPP		ESPP	
<hr/>					
Non Taxable		Pre-Tax Deductions		Net Pay	12,980
Taxable		Post-Tax Deductions			
Total Pay and Allowances		Total Deductions			

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(1) Initial Payment (gross)

(2) 40% tax and 1% NIC included within your normal monthly deductions

### Receipt of contingent payment

Q4 – Are there any taxes to pay on the receipt of a contingent payment ?

A4 – Yes – contingent payments are also subject to income tax and national insurance when received. They will be processed exactly the same as your initial payment above.

### Other

Q5 – Do I need to report any information on my stock option transfer to the Inland Revenue ?

A5 – Yes, you must report details of any liabilities arising from the transfer of your stock option to the Inland Revenue on your self-assessment tax return.

Q6 – Will I earn an amount equivalent to interest on any contingent payment ?

A6 – Yes – Until vested, any contingent payments will earn an amount equivalent to interest which will be paid to employees at the same time as the contingent payment.

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Q7 – What if I leave Microsoft employment before receiving the contingent payment ?

A7 – If you leave Microsoft prior to the vesting date for the contingent payment, you will forfeit the contingent payment.

Q8 – Where can I find out more information on the stock option transfer program?

A8 – For more detailed information please go to [SOTP Guide](#).

*This summary is for informational purposes only; in the event of any conflict between the information contained herein and the Notice of Stock Option Transfer Program distributed by Microsoft, the Notice shall govern.*

*Please note Microsoft is not in the position to provide you with personal tax advice. If you require personal tax advice then this should be sought from an independent consultant (e.g. Ward Consulting or KPMG). You should check out their fees before you commit yourself. This information is given as a general guide to employees who are resident and ordinarily resident in the U.K. and is not intended as a substitute for you obtaining professional tax advice from your personal tax adviser. Tax laws and their interpretation may change and tax consequences may vary depending on your personal circumstances.*

To: All Eligible Employees in Japan

Please be informed that the tax treatment of any payments made under the Stock Option Transfer Program is likely to be as follows, pending confirmation by the Japanese tax authority:

1. It is likely that income tax on the payments made under the Stock Option Transfer Program will not have to be withheld from your monthly salary payment or from the payments made under the Stock Option Transfer Program, and thus that employees will be responsible for filing their income tax return and paying the applicable taxes.
2. It is likely that payments made under the Stock Option Transfer Program will be defined as “Remuneration income” for income tax purposes.
3. It is likely that tax on the payments made under the Stock Option Transfer Program will be due only when the employees receive such payments.

As mentioned, Microsoft has filed a ruling request with the Japanese tax authority to confirm the tax treatment described above. While we are hopeful that the tax authority will agree with our analysis of the tax treatment, as described above, please keep in mind that the tax authority could determine that a different tax treatment shall apply. As soon as we obtain the tax ruling, we will inform you of the definitive tax treatment.

If you have any questions, we encourage you to consult with your personal tax advisor regarding the Stock Option Transfer Program.

To: All Eligible Employees in Canada

The purpose of this email is to share Canadian tax information regarding Microsoft's Stock Option Transfer Program, as well as information regarding the payout mechanism. We are also attaching an email from the corporate Comp Changes group sent on November 4th that reminded employees of the November 12 Election Deadline and outlined resource information.

Tax Treatment of the Stock Option Transfer Program (OTP)

Please find attached a description of the tax treatment of the Stock Option Transfer Program. This is the same information as the country specific tax information posted on the corporate HR website.

Payout Mechanism

If you opt for the Stock Option Transfer Program, proceeds will be distributed to you by the Microsoft Canada subsidiary on the December 31st payroll run. Microsoft Canada will withhold income taxes and Canada Pension Plan contributions (if applicable) on your behalf, and report all income and withholdings on your 2003 T4. The amount that is calculated by corporate will be converted to Canadian dollars using the daily foreign exchange rate based on the day the information is transferred to Microsoft Canada. We expect the transfer of information to occur the second week in December.

Please refer to the HR Website for further information regarding the Stock Option Transfer Program. You may also contact the "compchg" alias with specific questions.

To: Eligible Employees in Australia

This mail is for employees who are eligible to participate in the Stock Option Transfer Program. If you are eligible, you would have received an email from Ken DiPietro with the subject line *Action: Your Stock Option Transfer Opportunity*, and also a mail from Comp Changes on the Australian-specific documents. If you believe you are eligible, but have not received an email, please contact the [compchg](#) alias.

I want to make sure that everyone is aware of the Australian tax implications of the program and where resources are available. Please ensure that you have read the Australian Offer documents located at:

- [Australian Offer Document](#)
- [Australian Addendum to the Stock Option Transfer Program](#)

These should be reviewed in tandem with the other Stock Option Transfer Program documents distributed with the announcement of the program on October 15, 2003.

As you will note from the Australian documents, Microsoft is currently in negotiations with the Australian tax authorities to clarify whether the Option Transfer Program will be regarded as an arm's length transaction or a non-arm's length transaction. We expect to have this ruling this week and will notify you as soon as it is confirmed. In the interim, however, please ensure you have read both the Australian offer documents to understand the two likely outcomes of the tax ruling. We also strongly recommend that you confirm your potential tax liability with your financial advisor.

If you have any additional questions, contact information is as follows:

- For questions regarding the Notice or other materials or general questions about the program, email Comp Changes (<mailto:compchg@microsoft.com>) or telephone (Benefits line in the US) +425-706-8853 (press 6 then 1) to speak with a representative at Mellon Financial Services. Email and telephone representatives are available from 6am-6pm Redmond time. Mellon has translator services available upon request (AT&T language lines).
- For participation status, eligibility, election tool support or to request a hardcopy packet, email Comp Changes (<mailto:compchg@microsoft.com>) or telephone (Benefits line in the US) +425-706-8853 (press 6 then 2) to speak with a representative from Stock Services. Email and telephone representatives are available from 6am-6pm Redmond time.
- For assistance with thinking about factors that might affect your personal decision, you can call +425-706-8853 (press 6 then 3) to speak with an American Express Financial Advisor. It's important to note that American Express can not provide personal advice to employees or clarify program information. Telephone representatives are available from 6am-6pm Redmond time. American Express has translator services available upon request (AT&T language lines).

To: All Eligible Employees  
From: Compchng  
Subject: Reminder: November 12 Stock Option Transfer Program Election Deadline

As a reminder, **the Stock Option Transfer Program Election Period is scheduled to close on November 12, at midnight New York/Eastern Time (9pm U.S. Pacific Time). You have until that time to make your final participation decision. No elections or withdrawals will be accepted after that time.**

**You are receiving this message regardless of any election you may have submitted to date.** Your participation status, as currently registered, can be viewed on <https://stock> under the Option Transfer tab. Several [resources](#) are available for more information.

[the following paragraph is included in the communication to all eligible employees employed outside the Unites States]

Please note that if you are an employee in Argentina, Brazil, Bulgaria, Chile, Czech Republic, Dominican Republic, Egypt, France, Germany, Guatemala, Indonesia, Kuwait, Latvia, Lebanon, Morocco, Oman, Paraguay, Russia, Turkey or Uruguay electing through the Employee Election Tool, you must complete a two-step election process by submitting a signed and dated confirmation to Mellon Investor Services. This requirement applies to both participation and withdrawal decisions, and these forms must be received by Mellon Investor Services **before** the election deadline to qualify as a valid election. You may fax forms to Mellon at (201)329-8456.

The Stock Option Transfer Program is completely voluntary. Neither Microsoft nor its Board of Directors makes any recommendation about whether you should participate.

Thank you