

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE TO**

**Tender Offer Statement Under Section 14(d)(1) or 13(e)(1)  
of the Securities Exchange Act of 1934**

**MICROSOFT CORPORATION**

*(Name of Subject Company (Issuer))*

**MICROSOFT CORPORATION**

*(Name of Filing Person (Issuer))*

**Common Stock, \$0.0000625 Par Value Per Share**

*(Title of Class of Securities)*

**594918104**

*(CUSIP Number of Class of Securities)*

**John A. Seethoff**

**Vice President and Deputy General Counsel, Finance and Operations**

**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 person)*

*With a copy to:*

**Richard B. Dodd**

**William Gleeson**

**Preston Gates & Ellis LLP**

**925 Fourth Avenue, Suite 2900**

**Seattle, Washington 98104**

**(206) 623-7580**

**CALCULATION OF FILING FEE**

**Transaction Valuation\***

**\$20,000,000,000**

**Amount of Filing Fee\*\***

**\$2,140,000**

\* Estimated for purposes of calculating the amount of the filing fee only, this amount is based on the purchase of 808,080,808 shares of common stock at the maximum tender offer price of \$24.75 per share.

\*\* The amount of the filing fee, calculated in accordance with Rule 0-11 under the Securities Exchange Act of 1934, as amended, equals \$107.00 per million of the value of the transaction.

Check the 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:

N/A

Filing Party:

N/A

Form or Registration No.:

N/A

Date Filed:

N/A

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 following box if the filing is a final amendment reporting the results of the tender offer:

## INTRODUCTION

This Tender Offer Statement on Schedule TO relates to the offer by Microsoft Corporation, a Washington corporation (the “Company”), to purchase up to 808,080,808 shares of its common stock, par value \$0.00000625 per share, at a price not greater than \$24.75 nor less than \$22.50 per share, net to the seller in cash, less any applicable withholding taxes and without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase dated July 21, 2006 (the “Offer to Purchase”), a copy of which is attached hereto as Exhibit (a)(1)(A), and in the Letter of Transmittal (the “Letter of Transmittal”), a copy of which is attached hereto as Exhibit (a)(1)(B). This Tender Offer Statement on Schedule TO is intended to satisfy the reporting requirements of Rule 13e-4(c)(2) under the Securities Exchange Act of 1934, as amended. The information contained in the Offer to Purchase and the Letter of Transmittal is incorporated herein by reference in response to all of the items of this Schedule TO, as more particularly described below.

### **Item 1. Summary Term Sheet.**

The information set forth under “Summary Term Sheet” in the Offer to Purchase is incorporated herein by reference.

### **Item 2. Subject Company Information.**

(a) The name of the issuer is Microsoft Corporation, a Washington corporation, and the address of its principal executive offices is One Microsoft Way, Redmond, Washington 98052-6399. The telephone number of its principal executive offices is (425) 882-8080.

(b) The information set forth under “Introduction” in the Offer to Purchase is incorporated herein by reference.

(c) The information set forth in the Offer to Purchase under Section 8 (“Price Range of the Shares”) is incorporated herein by reference.

### **Item 3. Identity and Background of Filing Person.**

(a) The Company is the filing person. The Company’s address and telephone number are set forth in Item 2 above. The information set forth in the Offer to Purchase under Section 11 (“Interest of Directors and Executive Officers; Transactions and Arrangements Concerning the Shares”) is incorporated herein by reference.

### **Item 4. Terms of the Transaction.**

(a) The following sections of the Offer to Purchase contain a description of the material terms of the transaction and are incorporated herein by reference:

- “Summary Term Sheet”;
- “Introduction”;
- Section 1 (“Number of Shares; Price; Priority of Purchase”);
- Section 2 (“Purpose of the Tender Offer; Certain Effects of the Tender Offer”);
- Section 3 (“Procedures for Tendering Shares”);
- Section 4 (“Withdrawal Rights”);
- Section 5 (“Purchase of Shares and Payment of Purchase Price”);
- Section 6 (“Conditional Tender of Shares”);
- Section 7 (“Conditions of the Tender Offer”);
- Section 9 (“Source and Amount of Funds”);
- Section 10 (“Information About Microsoft Corporation”);

- Section 11 (“Interest of Directors and Executive Officers; Transactions and Arrangements Concerning the Shares”);
- Section 14 (“United States Federal Income Tax Consequences”); and
- Section 15 (“Extension of the Tender Offer; Termination; Amendment”).

(b) The information set forth under “Introduction” in the Offer to Purchase and in Section 11 of the Offer to Purchase (“Interest of Directors and Executive Officers; Transactions and Arrangements Concerning the Shares”) is incorporated herein by reference.

**Item 5. Past Contacts, Transactions, Negotiations and Agreements.**

(e) The information set forth in the Offer to Purchase under Section 11 (“Interest of Directors and Executive Officers; Transactions and Arrangements Concerning the Shares”) is incorporated herein by reference.

**Item 6. Purposes of the Transaction and Plans or Proposals.**

(a), (b) and (c) The information set forth in the Offer to Purchase under Section 2 (“Purpose of the Tender Offer; Certain Effects of the Tender Offer”) is incorporated herein by reference.

**Item 7. Source and Amount of Funds or Other Consideration.**

(a) The information set forth in the Offer to Purchase under Section 9 (“Source and Amount of Funds”) is incorporated herein by reference.

(b) The information set forth in the Offer to Purchase under Section 7 (“Conditions of the Tender Offer”) is incorporated herein by reference.

(d) Not applicable.

**Item 8. Interest in Securities of the Subject Company.**

(a) and (b) The information set forth in the Offer to Purchase under Section 11 (“Interest of Directors and Executive Officers; Transactions and Arrangements Concerning the Shares”) is incorporated herein by reference.

**Item 9. Persons/Assets, Retained, Employed, Compensated or Used.**

(a) The information set forth in the Offer to Purchase under Section 16 (“Fees and Expenses”) is incorporated herein by reference.

**Item 10. Financial Statements.**

Not applicable.

**Item 11. Additional Information.**

(a) The information set forth in the Offer to Purchase under Section 11 (“Interest of Directors and Executive Officers; Transactions and Arrangements Concerning the Shares”), Section 10 (“Information about Microsoft Corporation”), Section 12 (“Effects of the Tender Offer on the Market for Shares; Registration under the Exchange Act”), and Section 13 (“Legal Matters; Regulatory Approvals”) is incorporated herein by reference. To the knowledge of the Company, no material legal proceedings relating to the tender offer are pending.

(b) The information set forth in the Offer to Purchase and the Letter of Transmittal, copies of which are filed as Exhibits (a)(1)(A) and (a)(1)(B) hereto, respectively, as each may be amended or supplemented from time to time, is incorporated herein by reference.

**Item 12. Exhibits.**

Exhibit Number	Description
(a)(1)(A)*	Offer to Purchase, dated July 21, 2006
(a)(1)(B)*	Letter of Transmittal
(a)(1)(C)*	Notice of Guaranteed Delivery
(a)(1)(D)*	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees, dated July 21, 2006
(a)(1)(E)*	Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees, dated July 21, 2006
(a)(1)(F)*	Form of Letter to Microsoft Savings Plus 401(k) Plan Participants, dated July 21, 2006
(a)(1)(G)*	Summary Advertisement, dated July 21, 2006
(a)(2)	Not applicable
(a)(3)	Not applicable
(a)(4)	Not applicable
(b)	Not applicable
(d)(1)	Amended and Restated Microsoft Corporation 2001 Stock Plan <sup>(1)</sup>
(d)(2)	Amended and Restated Microsoft Corporation 1991 Stock Option Plan <sup>(1)</sup>
(d)(3)	Microsoft Corporation 1999 Stock Plan for Non-Employee Directors <sup>(2)</sup>
(d)(4)	Microsoft Corporation Stock Option Plan for Non-Employee Directors <sup>(2)</sup>
(d)(5)	Microsoft Corporation 2003 Employee Stock Purchase Plan <sup>(3)</sup>
(d)(6)	Microsoft Corporation 1998 Stock Option Gain and Bonus Deferral Program <sup>(3)</sup>
(d)(7)	Form of Stock Award Agreement <sup>(3)</sup>
(d)(8)	Form of Stock Award Agreement for Non-Employee Directors <sup>(3)</sup>
(d)(9)	Form of Shared Performance Stock Award Agreement for the January 1, 2004 to June 30, 2006 performance period <sup>(3)</sup>
(d)(10)	Form of Shared Performance Stock Award Agreement for the July 1, 2003 to June 30, 2006 performance period <sup>(3)</sup>
(d)(11)	Form of Stock Option Agreement <sup>(3)</sup>
(d)(12)	Form of Stock Option Agreement for Non-Employee Directors <sup>(3)</sup>
(d)(13)	Microsoft Corporation Deferred Compensation Plan <sup>(4)</sup>
(d)(14)	Microsoft Corporation Deferred Compensation Plan for Non-Employee Directors <sup>(4)</sup>
(g)	Not applicable
(h)	Not applicable

\* Filed herewith.

(1) Incorporated by reference to Current Report on Form 8-K filed July 20, 2006.

(2) Incorporated by reference to Current Report on Form 8-K filed November 15, 2004.

(3) Incorporated by reference to Annual Report on Form 10-K for the Fiscal Year Ended June 30, 2004.

(4) Incorporated by reference to Registration Statement on Form S-8 filed February 28, 2006.

**Item 13. Information Required by Schedule 13E-3.**

Not Applicable.

**SIGNATURE**

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.

Date: July 21, 2006

MICROSOFT CORPORATION

/s/ CHRISTOPHER P. LIDDELL

Christopher P. Liddell

Senior Vice President and Chief Financial Officer

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**Offer to Purchase for Cash Up to 808,080,808 Shares of its Common Stock at a Purchase Price Not Greater Than \$24.75 nor Less Than \$22.50 Per Share**

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**THE TENDER OFFER, PRORATION PERIOD, AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, EASTERN TIME, ON AUGUST 17, 2006, UNLESS THE TENDER OFFER IS EXTENDED.**

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Microsoft Corporation, a Washington corporation (the "Company," "we," or "us"), is offering to purchase up to 808,080,808 shares of its Common Stock, \$0.00000625 par value per share (the "Common Stock"), at a price not greater than \$24.75 nor less than \$22.50 per share, net to the seller in cash, less any applicable withholding taxes and without interest, upon the terms and subject to the conditions described in this Offer to Purchase and the Letter of Transmittal (which together, as they may be amended and supplemented from time to time, constitute the "Tender Offer").

We are offering to purchase up to 808,080,808 shares in the Tender Offer. On the terms and subject to the conditions of the Tender Offer, we will determine a single per share price, not greater than \$24.75 nor less than \$22.50 per share, net to the seller in cash, less any applicable withholding taxes and without interest, that we will pay for shares properly tendered and not properly withdrawn in the Tender Offer, taking into account the total number of shares tendered and the prices specified by tendering shareholders. After the Tender Offer expires, we will look at the prices chosen by shareholders for all of the shares properly tendered. We will then select the lowest purchase price (in multiples of \$0.10 above \$22.50) within the price range specified above that will allow us to buy 808,080,808 shares. If fewer shares are properly tendered, we will select the lowest price that will allow us to buy all the shares that are properly tendered and not properly withdrawn. All shares we acquire in the Tender Offer will be acquired at the same purchase price regardless of whether the shareholder tendered at a lower price. We will purchase only shares properly tendered at prices at or below the purchase price we determine and not properly withdrawn. However, because of the "odd lot" priority, proration and conditional tender provisions described in this Offer to Purchase, we may not purchase all of the shares tendered at or below the purchase price if more than the number of shares we seek are properly tendered and not properly withdrawn. We will return shares tendered at prices in excess of the purchase price that we determine and shares that we do not purchase because of proration or conditional tenders to the tendering shareholders at our expense promptly after the Tender Offer expires. See Section 3.

**The Tender Offer is not conditioned upon any minimum number of shares being tendered. The Tender Offer is, however, subject to certain other conditions. See Section 7.**

Questions and requests for assistance may be directed to Georgeson Inc. (the "Information Agent"), or to Goldman, Sachs & Co. or Deutsche Bank Securities Inc. (the "Dealer Managers"), at their respective addresses and telephone numbers set forth on the back cover of this Offer to Purchase. Requests for additional copies of this Offer to Purchase, the Letter of Transmittal or the Notice of Guaranteed Delivery should be directed to the Information Agent.

*The Dealer Managers for the Tender Offer are:*

**Goldman, Sachs & Co.**

**Deutsche Bank Securities**

July 21, 2006

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The shares are listed and traded on the Nasdaq Global Select Market (“NASDAQ”) under the symbol “MSFT”. On July 20, 2006, the last full trading day before the commencement of the Tender Offer, the reported closing price of the shares on NASDAQ was \$22.85 per share. **Shareholders are urged to obtain current market quotations for the shares.** See Section 8.

**Our Board of Directors has approved the Tender Offer. However, neither management nor our Board of Directors, nor the Dealer Managers, the Depository nor the Information Agent makes any recommendation to any shareholder as to whether to tender or refrain from tendering any shares or as to the price or prices at which shareholders may choose to tender their shares. We have not authorized any person to make any recommendation. You should carefully evaluate all information in the Tender Offer and should consult your own investment and tax advisors. You must decide whether to tender your shares and, if so, how many shares to tender and the price or prices at which you will tender them. In doing so, you should read carefully the information in this Offer to Purchase and in the Letter of Transmittal.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of this transaction or passed upon the merits or fairness of such transaction or passed upon the adequacy or accuracy of the information contained in this Offer to Purchase. Any representation to the contrary is a criminal offense.**

**IMPORTANT**

If you want to tender all or part of your shares, you must do one of the following before the Tender Offer expires:

- if your shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, contact the nominee and have the nominee tender your shares for you;
- if you hold certificates in your own name, complete and sign a Letter of Transmittal according to its instructions and deliver it, together with any required signature guarantees, the certificates for your shares and any other documents required by the Letter of Transmittal, to Mellon Investor Services LLC, the depository for the Tender Offer (the "Depository"), at one of its addresses shown on the Letter of Transmittal;
- if you are an institution participating in The Depository Trust Company, tender your shares according to the procedure for book-entry transfer described in Section 3 of this Offer to Purchase;
- if you are a participant in the Microsoft Savings Plus 401(k) Plan (the "401(k) Plan") and you wish to tender any of your shares held in such plan, you must follow the separate instructions and procedures described in Section 3 of this Offer to Purchase and you must review the separate materials related to the 401(k) Plan enclosed with this Offer to Purchase; or
- if you are a holder of vested options to purchase shares under the Company's equity compensation plans, you may exercise your vested options and tender any of the shares issued upon exercise.

If you want to tender your shares, but (a) the certificates for your shares are not immediately available or cannot be delivered to the Depository by the expiration of the Tender Offer, (b) you cannot comply with the procedure for book-entry transfer by the expiration of the Tender Offer, or (c) your other required documents cannot be delivered to the Depository by the expiration of the Tender Offer, you can still tender your shares if you comply with the guaranteed delivery procedures described in Section 3.

If you wish to maximize the chance that your shares will be purchased in the Tender Offer, you should check the box in the section of the Letter of Transmittal captioned "Shares Tendered at Price Determined in the Tender Offer." If you agree to accept the purchase price determined in the Tender Offer, your shares will be deemed to be tendered at the minimum price of \$22.50 per share. You should understand that this election may lower the purchase price paid for all purchased shares in the Tender Offer and could result in your shares being purchased at the minimum price of \$22.50 per share. The lower end of the price range for the Tender Offer is below the closing market price for the shares on July 20, 2006, the last full trading day prior to the commencement of the Tender Offer, when the closing market price on NASDAQ was \$22.85.

We are not making the Tender Offer to, and will not accept any tendered shares from, shareholders in any jurisdiction where it would be illegal to do so. However, we may, at our discretion, take any actions necessary for us to make this Tender Offer to shareholders in any such jurisdiction.

If you have any questions regarding the Tender Offer, please contact Georgeson Inc., the Information Agent for the Tender Offer, at (866) 482-5026 (U.S. and Canada) or +44 (0) 207-019-7137 (all other countries), or Goldman, Sachs & Co. or Deutsche Bank Securities Inc., the Dealer Managers for the Tender Offer, at (800) 471-7731 (toll free) or (877) 221-7676 (toll free), respectively.

**We have not authorized any person to make any recommendation on our behalf as to whether you should tender or refrain from tendering your shares or as to the purchase price or purchase prices at which you may choose to tender your shares in the Tender Offer. You should rely only on the information contained in this Offer to Purchase or to which we have referred you. We have not authorized anyone to provide you with information or to make any representation in connection with the Tender Offer other than those contained in this Offer to Purchase or in the Letter of Transmittal. If anyone makes any recommendation, gives you any information or makes any representation, you must not rely upon that recommendation, information or representation as having been authorized by us, the Dealer Managers, the Depository or the Information Agent.**

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## SUMMARY TERM SHEET

We are providing this summary term sheet for your convenience. The Company is at times referred to as “we,” “our” or “us.” We refer to the shares of our Common Stock as the “shares.” This summary term sheet highlights the material information in this Offer to Purchase, but you should realize that it does not describe all of the details of the Tender Offer to the same extent described in this Offer to Purchase. We urge you to read the entire Offer to Purchase and the Letter of Transmittal because they contain the full details of the Tender Offer. We have included references to the sections of this Offer to Purchase where you will find a more complete discussion where helpful.

### Who is offering to purchase my shares?

Microsoft Corporation.

### What will be the purchase price for the shares and what will be the form of payment?

We are conducting the Tender Offer through a procedure commonly called a modified “Dutch Auction.”

This procedure allows you to select the price within a price range specified by us at which you are willing to sell your shares. The lowest price that may be specified is \$22.50. The prices that may be specified increase in increments of \$0.10 up to \$24.70 and the highest price that may be specified is \$24.75.

The price range for the Tender Offer is \$22.50 to \$24.75 per share. After the Tender Offer expires, we will look at the prices chosen by shareholders for all of the shares properly tendered. We will then select the lowest purchase price that will allow us to buy 808,080,808 shares. The lower end of the price range for the Tender Offer is below the closing market price for the shares on July 20, 2006, the last full trading day prior to the commencement of the Tender Offer, when the closing market price on NASDAQ was \$22.85. If fewer shares are properly tendered, we will select the lowest price that will allow us to buy all the shares that are properly tendered and not properly withdrawn.

All shares we purchase will be purchased at the same price, even if you have selected a lower price, but we will not purchase any shares above the purchase price determined in the Tender Offer.

If you wish to maximize the chance that your shares will be purchased, you should check the box in the section of the Letter of Transmittal captioned “Shares Tendered at Price Determined in the Tender Offer” indicating that you will accept the purchase price we determine. If you agree to accept the purchase price determined in the Tender Offer, your shares will be deemed to be tendered at the minimum price of \$22.50 per share. You should understand that this election may lower the purchase price paid for all purchased shares in the Tender Offer and could result in your shares being purchased at the minimum price of \$22.50 per share.

If your shares are purchased in the Tender Offer, we will pay you the purchase price in cash, less any applicable withholding taxes and without interest, promptly after the Tender Offer expires. See Sections 1 and 5. Under no circumstances will we pay interest on the purchase price, even if there is a delay in making payment.

### How many shares is the Company offering to purchase in the Tender Offer?

We are offering to purchase up to 808,080,808 shares of our Common Stock, \$0.00000625 par value per share. The 808,080,808 shares represent approximately 8.1% of our issued and outstanding Common Stock as of July 17, 2006. See Section 1. If fewer shares are properly tendered, we will purchase all shares that are properly tendered and not properly withdrawn. If more than 808,080,808 shares are properly tendered and not properly withdrawn, we will purchase all shares tendered at or below the purchase price on a pro rata basis, except for “odd lots” (lots of less than 100 shares), which we will purchase on a priority basis, and except for each conditional tender whose condition was not met, which we will not purchase (except as described in Section 6). The Tender Offer is not conditioned on any minimum number of shares being tendered, but is subject to certain other conditions. See Section 7.

### How will the Company pay for the shares?

Assuming that the maximum of 808,080,808 shares are tendered in the Tender Offer at the maximum purchase price of \$24.75 per share, the aggregate purchase price will be approximately \$20 billion. We anticipate that we

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will pay for the shares tendered in the Tender Offer, as well as paying related fees and expenses, from our cash and short-term investments.

### **How long do I have to tender my shares; can the Tender Offer be extended, amended or terminated?**

You may tender your shares until the Tender Offer expires. The Tender Offer will expire at 12:00 midnight, Eastern Time, on August 17, 2006, unless extended (such date and time, as they may be extended, the “Expiration Date” and “Expiration Time,” respectively). See Section 1. If a broker, dealer, commercial bank, trust company or other nominee holds your shares, it is likely the nominee has established an earlier deadline for you to act to instruct the nominee to accept the Tender Offer on your behalf. We urge you to contact your broker, dealer, commercial bank, trust company or other nominee to find out the nominee’s deadline. You have an earlier deadline (three business days prior to the Expiration Date) if you wish to tender shares held in the 401(k) Plan. See the “Letter to Microsoft Savings Plus 401(k) Plan Participants” sent separately to each participant of the plan. See Section 3.

We may choose to extend the Tender Offer at any time and for any reason, subject to applicable laws. See Section 15. We cannot assure you that we will extend the Tender Offer or indicate the length of any extension that we may provide. If we extend the Tender Offer, we will delay the acceptance of any shares that have been tendered. We can also amend the Tender Offer in our sole discretion or terminate the Tender Offer under certain circumstances. See Sections 7 and 15.

### **How will I be notified if the Company extends the Tender Offer or amends the terms of the Tender Offer?**

If we extend the Tender Offer, we will issue a press release announcing the extension and the new Expiration Time by 9:00 a.m., Eastern Time, on the next business day after the previously scheduled Expiration Time. We will announce any amendment to the Tender Offer by making a public announcement of the amendment. See Section 15.

### **What is the purpose of the Tender Offer?**

In determining to proceed with the Tender Offer, management and our Board of Directors have reviewed our use of cash flows from operations and investments for, among other things, investments in research and development and creation and expansion of sales distribution channels, capital expenditures, acquisitions, strategic investments, dividends and share repurchases, and a variety of alternatives for using our available financial resources. The Board of Directors considered, with the assistance of management, our free cash flow, financial position and dividend policy, and the market price of our Common Stock, as well as our operations, strategy and expectations for the future. See Section 2.

The Board of Directors believes that the modified “Dutch Auction” tender offer set forth in this Offer to Purchase represents a mechanism to provide all of our shareholders with the opportunity to tender all or a portion of their shares and, thereby, receive a return of some or all of their investment if they so elect. The Tender Offer provides shareholders (particularly those who, because of the size of their shareholdings, might not be able to sell their shares without potential disruption to the share price) with an opportunity to obtain liquidity with respect to all or a portion of their shares, without potential disruption to the share price and the usual transaction costs associated with market sales. In addition, if we complete the Tender Offer, shareholders who do not participate in the Tender Offer will automatically increase their relative percentage ownership interest in us and our future operations.

The Tender Offer also provides our shareholders with an efficient way to sell their shares without incurring broker’s fees or commissions associated with open market sales. Furthermore, odd lot holders who hold shares registered in their names and tender their shares directly to the Depository and whose shares are purchased pursuant to the Tender Offer will avoid any applicable odd lot discounts that might be payable on sales of their shares. See Sections 9 and 10.

**What are the significant conditions to the Tender Offer?**

Our obligation to accept and pay for your tendered shares depends upon a number of conditions that must be satisfied or waived prior to the Expiration Time, including, but not limited to:

- no legal action shall have been instituted, threatened, or been pending that challenges the Tender Offer or seeks to impose limitations on our ability (or any affiliate of ours) to acquire or hold or to exercise full rights of ownership of the shares;
- no general suspension of trading in, or general limitation on prices for, or trading in, securities on any national securities exchange or in the over-the-counter markets in the United States or the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States shall have occurred;
- no changes in the general political, market, economic or financial conditions, domestically or internationally, that are reasonably likely to materially and adversely affect our business or the trading in the shares shall have occurred;
- no commencement or escalation of war, armed hostilities or other similar national or international calamity, directly or indirectly involving the United States, shall have occurred;
- no decrease of more than 10% in the market price for the shares or in the Dow Jones Industrial Average, NASDAQ Composite Index or the S&P 500 Composite Index shall have occurred;
- no tender or exchange offer (other than this Tender Offer), merger, acquisition, business combination or other similar transaction with or involving us or any subsidiary, shall have commenced or have been proposed, announced or made by any person or have been publicly disclosed;
- no person (including a group) shall have acquired, or publicly announced its proposal to acquire, beneficial ownership of more than 5% of the outstanding shares (other than anyone who publicly disclosed such ownership in a filing with the Securities and Exchange Commission (the "SEC") on or before July 20, 2006);
- no change in the business, properties, assets, liabilities, capitalization, shareholders' equity, financial condition, operations, licenses, results of operations or prospects of us or any of our subsidiaries or affiliates, taken as a whole, shall have occurred that has or is reasonably likely to have a materially adverse effect on us, our subsidiaries and our affiliates, taken as a whole; and
- we shall not have determined that as a result of the consummation of the Tender Offer and the purchase of shares that there will be a reasonable likelihood that the shares either (1) will be held of record by less than 300 persons or (2) will be delisted from NASDAQ or be eligible for deregistration under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Tender Offer also is subject to other conditions described in greater detail in Section 7.

**Following the Tender Offer, will the Company continue as a public company?**

Yes. The completion of the Tender Offer in accordance with its terms and conditions will not cause the Company to be delisted from NASDAQ or to stop being subject to the periodic reporting requirements of the Exchange Act.

**How do I tender my shares?**

If you want to tender all or part of your shares, you must do one of the following before 12:00 midnight, Eastern Time, on August 17, 2006, or any later time and date to which the Tender Offer may be extended, or earlier as described below as required for participants in the 401(k) Plan or as your broker or other nominee may require:

- if your shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, contact the nominee and have the nominee tender your shares for you;

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- if you hold certificates in your own name, complete and sign a Letter of Transmittal according to its instructions and deliver it, together with any required signature guarantees, the certificates for your shares and any other documents required by the Letter of Transmittal, to the Depository at its address shown on the Letter of Transmittal;
- if you are an institution participating in The Depository Trust Company, tender your shares according to the procedure for book-entry transfer described in Section 3 of this Offer to Purchase;
- if you are a participant in the 401(k) Plan and you wish to tender any of your shares held in the plan, you must follow the separate instructions and procedures described in Section 3 of this Offer to Purchase and you must review the separate materials related to the 401(k) Plan enclosed with this Offer to Purchase; or
- if you are a holder of vested options to purchase shares under the Company's equity compensation plans, you may exercise your vested options and tender any of the shares issued upon exercise.

If you want to tender your shares, but:

- the certificates for your shares are not immediately available or cannot be delivered to the Depository by the expiration of the Tender Offer;
- you cannot comply with the procedure for book-entry transfer by the expiration of the Tender Offer; or
- your other required documents cannot be delivered to the Depository by the expiration of the Tender Offer;

you can still tender your shares if you comply with the guaranteed delivery procedure described in Section 3.

You may contact the Information Agent or the Dealer Managers for assistance. The contact information for the Information Agent and the Dealer Managers appears on the back cover of this Offer to Purchase. See Section 3 and the Instructions to the Letter of Transmittal.

### **How do participants in our 401(k) Plan participate in the Tender Offer?**

Participants in our 401(k) Plan may not use the Letter of Transmittal to direct the tender of their shares in the plan, but instead must follow the separate instructions related to those shares in the "Letter to Microsoft Savings Plus 401(k) Plan Participants" sent to participants in the plan along with this Offer to Purchase. If you are a participant in the 401(k) Plan and wish to have the trustee tender some or all shares held in the 401(k) Plan, you must complete, execute, and return the separate direction form included in the "Letter to Microsoft Savings Plus 401(k) Plan Participants" at least three business days prior to the Expiration Time. See Section 3.

### **How do participants in our Employee Stock Purchase Plan participate in the Tender Offer?**

Participants in the Microsoft Corporation 2003 Employee Stock Purchase Plan (the "Stock Purchase Plan") have their shares registered in the name of Fidelity Investments, a broker, and should follow the instructions applicable to brokers and other nominees. Please contact the Information Agent at (866) 482-5026 (U.S. and Canada) or +44 (0) 207-019-7137 (all other countries) with any questions regarding tendering shares acquired in the Stock Purchase Plan. See Section 3.

### **How do holders of vested stock options and vested stock awards participate in the Tender Offer?**

If you hold vested but unexercised options to purchase shares, you may exercise such options in accordance with the terms of the applicable stock option plan or plans and tender the shares received upon such exercise in accordance with the Tender Offer. An exercise of an option cannot be revoked for any reason even if shares received upon the exercise thereof and tendered in the Tender Offer are not purchased in the Tender Offer. See Section 3. If your stock awards have vested you should follow the above instructions applicable to shares held by a broker or shares held in your own name, as applicable to you. Holders of unvested stock awards or other restricted equity interests may not tender shares or shares represented by such interests unless they are fully vested.

**What happens if more than 808,080,808 shares are tendered at or below the purchase price?**

If more than 808,080,808 shares (or such greater number of shares as we may elect to accept for payment, subject to applicable law) are properly tendered at or below the purchase price and not properly withdrawn prior to the Expiration Time, we will purchase shares as follows:

- *first*, all “odd lots” of less than 100 shares from holders who properly tender all of their shares at or below the purchase price determined in the Tender Offer and who do not properly withdraw them before the Expiration Time;
- *second*, from all other shareholders who properly tender shares at or below the purchase price determined in the Tender Offer and who do not properly withdraw them before the Expiration Time, on a pro rata basis (except for shareholders who tendered shares conditionally for which the condition was not satisfied); and
- *third*, only if necessary to permit us to purchase 808,080,808 shares (or such greater number of shares as we may elect to accept for payment, subject to applicable law), from holders who have tendered shares at or below the purchase price determined in the Tender Offer conditionally (for which the condition was not initially satisfied) by random lot, to the extent feasible. To be eligible for purchase by random lot, shareholders whose shares are conditionally tendered must have tendered all of their shares.

Because of the “odd lot” priority, proration and conditional tender provisions described above, we may not purchase all of the shares that you tender even if you tender them at or below the purchase price. See Section 1.

**If I own fewer than 100 shares and I tender all of my shares, will I be subject to proration?**

If you own beneficially or of record fewer than 100 shares in the aggregate, you properly tender all of these shares at or below the purchase price and do not properly withdraw them before the Expiration Time, and you complete the section entitled “Odd Lots” in the Letter of Transmittal and, if applicable, in the Notice of Guarantee Delivery, we will purchase all of your shares without subjecting them to the proration procedure. See Section 1.

**Once I have tendered shares in the Tender Offer, can I withdraw my tender?**

Yes. You may withdraw any shares you have tendered at any time before 12:00 midnight, Eastern Time, on August 17, 2006, unless we extend the Tender Offer, in which case you can withdraw your shares until the expiration of the Tender Offer as extended. If we have not accepted for payment the shares you have tendered to us, you may also withdraw your shares at any time after 12:00 midnight, Eastern Time, on September 15, 2006. See Section 4.

**How do I withdraw shares I previously tendered?**

To properly withdraw shares, you must deliver a written notice of withdrawal with the required information to the Depositary while you still have the right to withdraw the shares. If you have used more than one Letter of Transmittal or have otherwise tendered shares in more than one group of shares, you may withdraw shares using either separate notices of withdrawal or a combined notice of withdrawal, so long as the required information is included. Your notice of withdrawal must specify your name, the number of shares to be withdrawn and the name of the registered holder of these shares. Some additional requirements apply if the share certificates to be withdrawn have been delivered to the Depositary or if your shares have been tendered under the procedure for book-entry transfer set forth in Section 3. See Section 4. If you have tendered your shares by giving instructions to a bank, broker, dealer, trust company or other nominee, you must instruct the nominee to arrange for the withdrawal of your shares.

Participants in our 401(k) Plan who wish to withdraw their shares must follow the instructions found in the “Letter to Microsoft Savings Plus 401(k) Plan Participants” sent separately to each participant of the plan. See Section 4.

**Has the Company or its Board of Directors adopted a position on the Tender Offer?**

Our Board of Directors has approved the Tender Offer. However, neither we nor our Board of Directors, nor the Dealer Managers, the Depositary nor the Information Agent are making any recommendation to you as to whether you should tender or refrain from tendering your shares or as to the purchase price or purchase prices at which you may choose to tender your shares. You must make your own decision whether to tender your shares and, if so, how many shares to tender and the purchase price or purchase prices at which your shares should be tendered. In so doing, you should read carefully the information in this Offer to Purchase and in the Letter of Transmittal. See Section 2.

**Does the Company intend to repurchase any shares other than pursuant to the Tender Offer during or after the Tender Offer?**

Our Board of Directors has authorized an ongoing share repurchase program for the purchase of up to an additional \$20 billion of shares. We expect this repurchase program to be completed no later than June 30, 2011. However, Rule 13e-4(f) under the Exchange Act prohibits us from purchasing any shares, other than in the Tender Offer, until at least 10 business days after the Expiration Time. Accordingly, any additional purchases outside the Tender Offer may not be consummated until at least 10 business days after the Expiration Time. See Section 17.

**Do the directors and executive officers of the Company intend to tender their shares in the Tender Offer?**

Our directors and executive officers have advised us that they do not intend to tender any of their shares in the Tender Offer. Accordingly, if we complete the Tender Offer, the proportional holdings of our directors and executive officers will increase. However, our directors and executive officers may, in compliance with stock ownership guidelines and applicable law, sell their shares in open market transactions at prices that may or may not be more favorable than the purchase price to be paid to our shareholders in the Tender Offer. See Section 11.

**If I decide not to tender, how will the Tender Offer affect my shares?**

Shareholders who choose not to tender their shares will own a greater percentage interest in our outstanding Common Stock following consummation of the Tender Offer. See Section 2.

**What is the recent market price of my shares?**

On July 20, 2006, the last full trading day before the commencement of the Tender Offer, the reported closing price of the shares on NASDAQ was \$22.85 per share. **You are urged to obtain current market quotations for the shares before deciding whether and at what price or prices to tender your shares.** See Section 8.

**When will the Company pay for the shares I tender?**

We will pay the purchase price, net to the seller in cash, less any applicable withholding tax and without interest, for the shares we purchase promptly after the expiration of the Tender Offer. We do not expect, however, to announce the results of proration and begin paying for tendered shares until up to ten business days after the expiration of the Tender Offer. See Section 5.

**Will I have to pay brokerage commissions if I tender my shares?**

If you are the record owner of your shares or hold your shares through our 401(k) Plan and your shares are tendered directly to the Depositary, you will not have to pay brokerage fees or similar expenses. If you own your shares through a bank, broker, dealer, trust company or other nominee and the nominee tenders your shares on your behalf, the nominee may charge you a fee for doing so. You should consult with your bank, broker, dealer, trust company or other nominee to determine whether any charges will apply. See Section 3.

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### **What are the United States federal income tax consequences if I tender my shares?**

Generally, if you are a U.S. Holder (as defined in Section 14), you will be subject to United States federal income taxation when you receive cash from the Company in exchange for the shares you tender in the Tender Offer. Depending on your particular circumstances, you will be treated as either (i) recognizing capital gain or loss from the disposition of your shares or (ii) receiving a dividend distribution from the Company. See Section 14. If you are a foreign shareholder (as defined in Section 14), you may be subject to withholding at a rate of 30% on payments received pursuant to the Tender Offer. You may also be subject to tax in other jurisdictions on the disposal of shares.

If you are a U.S. Holder, you should complete the Substitute Form W-9 included in your Letter of Transmittal. Any tendering shareholder or other payee that fails to complete, sign and return to the Depository the Substitute Form W-9 included in the Letter of Transmittal (or such other Internal Revenue Service (“IRS”) form as may be applicable) may be subject to United States backup withholding. Such withholding would be equal to 28% of the gross proceeds paid to the shareholder or other payee pursuant to the Tender Offer. Different rules on filings in respect of withholding of tax apply to foreign shareholders. See Section 3.

**All shareholders should review the discussion in Sections 3 and 14 regarding tax issues and consult their tax advisor regarding the tax effects of a tender of shares.**

### **Will I have to pay stock transfer tax if I tender my shares?**

We will pay all stock transfer taxes unless payment is made to, or if shares not tendered or accepted for payment are to be registered in the name of, someone other than the registered holder, or tendered certificates are registered in the name of someone other than the person signing the Letter of Transmittal. See Section 5.

### **Whom can I talk to if I have questions?**

If you have any questions regarding the Tender Offer, please contact Georeson Inc., the Information Agent for the Tender Offer, at (866) 482-5026 (U.S. and Canada) or +44 (0) 207-019-7137 (all other countries), or Goldman, Sachs & Co. or Deutsche Bank Securities Inc., the Dealer Managers for the Tender Offer, at (800) 471-7731 (toll free) or (877) 221-7676 (toll free), respectively. Additional contact information for the Information Agent and the Dealer Managers is set forth on the back cover of this Offer to Purchase. Participants in our 401(k) Plan who have questions relating to the plan should contact the relevant party set forth in the “Letter to Microsoft Savings Plus 401(k) Plan Participants” sent separately to each participant of the plan.

**CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS**

This Offer to Purchase and the documents incorporated herein by reference include certain “forward-looking statements.” These forward-looking statements generally are identified by the words “believes,” “project,” “expects,” “anticipates,” “estimates,” “intends,” “strategy,” “plan,” “may,” “will,” “would,” “will be,” “will continue,” “will likely result” and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements.

In addition, please refer to our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2006, December 31, 2005 (as amended on March 3, 2006), and September 30, 2005 and our Annual Report on Form 10-K for the fiscal year ended June 30, 2005, in each case as filed with the SEC, for additional information on risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements or that may otherwise impact us and our business. See Section 10. Notwithstanding anything in this Offer to Purchase, the Letter of Transmittal or any document incorporated by reference into this Offer to Purchase, the safe harbor protections of the Private Securities Litigation Reform Act of 1995 do not apply to statements made in connection with a tender offer.

## INTRODUCTION

To the Holders of our Common Stock:

We invite our shareholders to tender shares of our Common Stock, \$0.00000625 par value per share (the “Common Stock”), for purchase by us. Upon the terms and subject to the conditions of this Offer to Purchase and the Letter of Transmittal, we are offering to purchase up to 808,080,808 shares at a price not greater than \$24.75 nor less than \$22.50 per share, net to the seller in cash, less applicable withholding taxes and without interest. Unless the context otherwise requires, all references to “shares” shall refer to the Common Stock of the Company.

The Tender Offer will expire at 12:00 midnight, Eastern Time, on August 17, 2006, unless extended as described in Section 15.

After the Tender Offer expires, we will look at the prices chosen by shareholders for all of the shares properly tendered and not properly withdrawn. We will then select the lowest purchase price within the price range specified above that will allow us to buy 808,080,808 shares. If fewer shares are properly tendered, we will select the lowest price that will allow us to buy all the shares that are properly tendered and not properly withdrawn. All shares we acquire in the Tender Offer will be acquired at the same purchase price regardless of whether the shareholder tendered at a lower price.

We will purchase only shares properly tendered at prices at or below the purchase price we determine and not properly withdrawn. However, because of the “odd lot” priority, proration and conditional tender provisions described in this Offer to Purchase, we may not purchase all of the shares tendered, even if shareholders tendered at or below the purchase price, if more than the number of shares we seek are properly tendered. We will return shares tendered at prices in excess of the purchase price that we determine and shares that we do not purchase because of the “odd lot” priority, proration or conditional tender provisions to the tendering shareholders at our expense promptly following the Expiration Time. See Section 1.

Tendering shareholders whose shares are registered in their own names and who tender directly to Mellon Investor Services LLC, the Depository for the Tender Offer, will not be obligated to pay brokerage fees or commissions or, except as described in Section 5, stock transfer taxes on the purchase of shares by us in the Tender Offer. If you own your shares through a bank, broker, dealer, trust company or other nominee and the nominee tenders your shares on your behalf, the nominee may charge you a fee for doing so. You should consult your bank, broker, dealer, trust company or other nominee to determine whether any charges will apply.

Participants in our 401(k) Plan may not use the Letter of Transmittal to direct the tender of their shares held in the plan, but instead must follow the separate instructions related to those shares. Participants in our 401(k) Plan may instruct the trustee of the plan as set forth in the “Letter to Microsoft Savings Plus 401(k) Plan Participants” to tender some or all of the shares attributed to the participant’s account. If a participant’s instructions are not received three business days prior to the Expiration Date, the trustee will not tender shares attributable to the participant’s account. See Section 3.

In addition, holders of vested but unexercised options to purchase shares outstanding under the Microsoft Corporation 2001 Stock Plan, Microsoft Corporation 1991 Stock Option Plan and Microsoft Corporation Stock Option Plan for Consultants and Advisors (collectively, the “Stock Option Plans”) may exercise those options and tender some or all of the shares issued upon such exercise. Holders of stock awards and other restricted equity interests may not tender shares or shares represented by such interests unless they are fully vested.

**The Tender Offer is not conditioned upon any minimum number of shares being tendered. Our obligation to accept, and pay for, shares validly tendered pursuant to the Tender Offer is conditioned upon satisfaction or waiver of the conditions set forth in Section 7.**

**Our Board of Directors has approved the Tender Offer. However, neither we nor our Board of Directors, nor the Dealer Managers, the Depository nor the Information Agent makes any recommendation**

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to any shareholder as to whether to tender or refrain from tendering any shares or as to the price or prices at which shareholders may choose to tender their shares. We have not authorized any person to make any recommendation. Shareholders should carefully evaluate all information in the Tender Offer and should consult their own investment and tax advisors. You must decide whether to tender your shares and, if so, how many shares to tender and the price or prices at which you will tender them. In doing so, you should read carefully the information in this Offer to Purchase and in the Letter of Transmittal.

Our directors and executive officers have advised us that they do not intend to tender any of their shares in the Tender Offer. Accordingly, if we complete the Tender Offer the proportional holdings of our directors and executive officers will increase. However, our directors and executive officers may, in compliance with stock ownership guidelines and applicable law, sell their shares in open market transactions at prices that may or may not be more favorable than the purchase price to be paid to our shareholders in the Tender Offer. See Section 11.

Any tendering shareholder or other payee that fails to complete, sign and return to the Depository the Substitute Form W-9 included in the Letter of Transmittal (or such other IRS form as may be applicable) may be subject to United States backup withholding at a rate equal to 28% of the gross proceeds paid to the holder or other payee pursuant to the Tender Offer, unless such holder establishes that it is exempt from backup withholding. See Section 3. Also see Section 14 of this Offer to Purchase regarding certain United States federal income tax consequences of a sale of shares pursuant to the Tender Offer.

As of July 17, 2006, there were 10,004,128,767 shares of our Common Stock issued and outstanding. The 808,080,808 shares that we are offering to purchase hereunder represent approximately 8.1% of the total number of issued and outstanding shares of our Common Stock as of July 17, 2006. The shares are listed and traded on NASDAQ under the symbol "MSFT". On July 20, 2006, the last full trading day before the commencement of the Tender Offer, the reported closing price of the shares on NASDAQ was \$22.85 per share. **Shareholders are urged to obtain current market quotations for the shares before deciding whether and at what purchase price or purchase prices to tender their shares. See Section 8.**

## THE TENDER OFFER

### 1. Number of Shares; Price; Priority of Purchase

*General.* Upon the terms and subject to the conditions of the Tender Offer, we will purchase up to 808,080,808 shares of our Common Stock, or if fewer shares are properly tendered, all shares that are properly tendered and not properly withdrawn in accordance with Section 4, at a price not greater than \$24.75 nor less than \$22.50 per share, net to the seller in cash, less any applicable withholding tax and without interest.

The term "Expiration Time" means 12:00 midnight, Eastern Time, on August 17, 2006, unless we, in our sole discretion, extend the period of time during which the Tender Offer will remain open, in which event the term "Expiration Time" shall refer to the latest time and date at which the Tender Offer, as so extended by us, shall expire. See Section 15 for a description of our right to extend, delay, terminate or amend the Tender Offer.

If the Tender Offer is over-subscribed as described below, shares tendered at or below the purchase price and not properly withdrawn will be subject to proration, except for "odd lots." The proration period and, except as described herein, withdrawal rights expire at the Expiration Time.

If we:

- increase the price to be paid for shares above \$24.75 per share or decrease the price to be paid for shares below \$22.50 per share;
- increase the number of shares being sought in the Tender Offer and such increase in the number of shares being sought exceeds 2% of our outstanding shares; or

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- decrease the number of shares being sought in the Tender Offer; and

the Tender Offer is scheduled to expire at any time earlier than the expiration of a period ending at 12:00 midnight, Eastern Time, on the tenth business day (as defined below) from, and including, the date that notice of any such increase or decrease is first published, sent or given in the manner specified in Section 15, then the Tender Offer will be extended until the expiration of such ten business day period. For the purposes of the Tender Offer, a “business day” means any day other than a Saturday, Sunday or United States federal holiday and consists of the time period from 12:01 a.m. to 12:00 midnight, Eastern Time.

**The Tender Offer is not conditioned on any minimum number of shares being tendered. The Tender Offer is, however, subject to satisfaction of certain other conditions.**

In accordance with Instruction 5 of the Letter of Transmittal, shareholders desiring to tender shares must specify the price or prices, not in excess of \$24.75 nor less than \$22.50 per share, at which they are willing to sell their shares to us in the Tender Offer. The lowest price that may be specified is \$22.50. The prices that may be specified increase in increments of \$0.10 up to \$24.70 and the highest price that may be specified is \$24.75. Alternatively, shareholders desiring to tender shares can choose not to specify a price and, instead, elect to tender their shares at the purchase price ultimately paid for shares properly tendered and not properly withdrawn in the Tender Offer, which could result in the tendering shareholder receiving the minimum price of \$22.50 per share. See Section 8 for recent market prices for the shares. The lower end of the price range for the Tender Offer is below the closing market price for the shares on July 20, 2006, the last full trading day prior to the commencement of the Tender Offer, when the closing market price on NASDAQ was \$22.85.

Promptly following the Expiration Time, we will look at the prices chosen by shareholders for all of the shares properly tendered and not properly withdrawn and will determine the lowest purchase price within the price range specified above that will allow us to buy 808,080,808 shares. If fewer shares are properly tendered, we will select the lowest price that will allow us to buy all the shares that are properly tendered and not properly withdrawn. Once the purchase price has been determined, we will promptly disclose such price in a manner calculated to inform shareholders of this information, which will include a press release through PR Newswire or another comparable service.

All shares we acquire in the Tender Offer will be acquired at the same purchase price regardless of whether the shareholder tendered at a lower price. We will purchase only shares properly tendered at prices at or below the purchase price we determine and not properly withdrawn. However, because of the “odd lot” priority, proration and conditional tender provisions described in this Offer to Purchase, we may not purchase all of the shares tendered, even if shareholders tendered at or below the purchase price, if more than the number of shares we seek to purchase are properly tendered and not properly withdrawn. We will return shares tendered at prices in excess of the purchase price that we determine and shares that we do not purchase because of the “odd lot” priority, proration or conditional tender provisions to the tendering shareholders at our expense promptly after the Tender Offer expires. Shareholders can specify one minimum price for a specified portion of their shares and a different minimum price for other specified shares, but a separate Letter of Transmittal must be submitted for shares tendered at each price. See Instruction 5 to the Letter of Transmittal.

Shareholders also can specify the order in which we will purchase the specified portions in the event that, as a result of the proration provisions or otherwise, we purchase some but not all of the tendered shares pursuant to the Tender Offer. In the event a shareholder does not designate the order and fewer than all shares are purchased due to proration, the Depositary will select the order of shares purchased.

If the number of shares properly tendered at or below the purchase price determined in the Tender Offer and not properly withdrawn prior to the Expiration Time is less than or equal to 808,080,808 shares, or such greater number of shares as we may elect to accept for payment, we will, subject to applicable law and upon the terms and subject to the conditions of the Tender Offer, purchase all shares so tendered at the purchase price we determine.

*Priority of Purchases.* Upon the terms and subject to the conditions of the Tender Offer, if more than 808,080,808 shares, or such greater number of shares as we may elect to accept for payment, have been properly tendered at prices at or below the purchase price selected by us and not properly withdrawn prior to the Expiration Time, we will, subject to applicable law, purchase properly tendered shares on the basis set forth below:

- *First*, we will purchase all shares tendered by any Odd Lot Holder (as defined below) who:

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- tenders all shares owned beneficially and of record by the Odd Lot Holder at a price at or below the purchase price determined in the Tender Offer (tenders of less than all of the shares owned by an Odd Lot Holder will not qualify for this priority); and
- completes the section entitled “Odd Lots” in the Letter of Transmittal and, if applicable, in the Notice of Guaranteed Delivery.
- *Second*, subject to the conditional tender provisions described in Section 6, we will purchase all other shares tendered at prices at or below the purchase price determined in the Tender Offer on a pro rata basis with appropriate adjustments to avoid purchases of fractional shares, as described below.
- *Third*, if necessary to permit us to purchase 808,080,808 shares (or such greater number of shares as we may elect to accept for payment), shares conditionally tendered (for which the condition requiring us to purchase a specified number of shares was not initially satisfied) at or below the purchase price determined in the Tender Offer, will, to the extent feasible, be selected for purchase by random lot. To be eligible for purchase by random lot, shareholders whose shares are conditionally tendered must have tendered all of their shares.

As a result of the foregoing priorities applicable to the purchase of shares tendered, it is possible that all of the shares that a shareholder tenders in the Tender Offer may not be purchased even if they are tendered at prices at or below the purchase price. In addition, if a tender is conditioned upon the purchase of a specified number of shares, it is possible that none of those shares will be purchased even though those shares were tendered at prices at or below the purchase price we determine.

*Odd Lots.* The term “odd lots” means all shares properly tendered prior to the Expiration Time at prices at or below the purchase price determined in the Tender Offer and not properly withdrawn by any person (an “Odd Lot Holder”) who owns beneficially or of record fewer than 100 shares in the aggregate and so certified in the appropriate place on the Letter of Transmittal and, if applicable, on the Notice of Guaranteed Delivery.

To qualify for this priority, an Odd Lot Holder must tender all shares owned by the Odd Lot Holder in accordance with the procedures described in Section 3. Odd Lots will be accepted for payment before any proration of the purchase of other tendered shares. This priority is not available to partial tenders or to beneficial or record holders of 100 or more shares in the aggregate, even if these holders have separate accounts or certificates representing fewer than 100 shares. By tendering in the Tender Offer, an Odd Lot Holder who holds shares in its name and tenders its shares directly to the Depository would also avoid any applicable odd lot discounts in a sale of the holder’s shares. Any Odd Lot Holder wishing to tender all of its shares pursuant to the Tender Offer should complete the section entitled “Odd Lots” in the Letter of Transmittal and, if applicable, in the Notice of Guaranteed Delivery.

*Proration.* If proration of tendered shares is required, we will determine the proration factor promptly following the Expiration Time. Subject to adjustment to avoid the purchase of fractional shares and subject to the provisions governing conditional tenders described in Section 6, proration for each shareholder tendering shares, other than Odd Lot Holders, will be based on the ratio of the number of shares properly tendered and not properly withdrawn by the shareholder to the total number of shares properly tendered and not properly withdrawn by all shareholders, other than Odd Lot Holders, at or below the purchase price determined in the Tender Offer. Because of the difficulty in determining the number of shares properly tendered and not properly withdrawn, and because of the odd lot priority described above and the conditional tender procedure described in Section 6, we expect that we will not be able to announce the final proration factor or commence payment for any shares purchased pursuant to the Tender Offer until up to ten business days after the Expiration Time. The preliminary results of any proration will be announced by press release promptly after the Expiration Time. After the Expiration Time, shareholders may obtain preliminary proration information from the Information Agent and also may be able to obtain the information from their brokers.

As described in Section 14, the number of shares that we will purchase from a shareholder in the Tender Offer may affect the United States federal income tax consequences to that shareholder and, therefore, may be

relevant to a shareholder's decision whether or not to tender shares and whether to condition any tender upon our purchase of a stated number of shares held by such shareholder.

This Offer to Purchase and the Letter of Transmittal will be mailed to record holders of shares and will be furnished to brokers, dealers, commercial banks and trust companies whose names, or the names of whose nominees, appear on our shareholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of shares.

## **2. Purpose of the Tender Offer; Certain Effects of the Tender Offer**

*Purpose of the Tender Offer.* We intend to purchase up to \$20 billion of our shares, or 808,080,808 shares, in the Tender Offer, representing approximately 8.1% of our outstanding shares as of July 17, 2006. Over the past two years, we have repurchased in the open market 1,163,339,219 shares of our Common Stock for an aggregate of approximately \$30 billion pursuant to the program approved by the Board of Directors on July 20, 2004. The Tender Offer is in addition to the share repurchase program authorized by our Board of Directors on July 19, 2006, pursuant to which the Company is authorized to purchase additional shares with a value of up to \$20 billion.

In determining to proceed with the Tender Offer, management and our Board of Directors have reviewed our use of cash flows from operations and investments for, among other things, investments in research and development and creation and expansion of sales distribution channels, capital expenditures, acquisitions, strategic investments, dividends and share repurchases, and a variety of alternatives for using our available financial resources. The Board of Directors considered, with the assistance of management, our free cash flow, financial position and dividend policy, and the market price of our Common Stock, as well as our operations, strategy and expectations for the future.

In determining the size and number of shares to purchase in the Tender Offer, the Board of Directors with the assistance of outside advisors considered a broad range of factors, including our financial condition and dividend policy, operations, competitive position, resources and business prospects, management of the impact of our equity compensation plans, the current market prices of our shares and our desire for future financial flexibility. The Board of Directors also considered risks and uncertainties, including the potential for favorable and unfavorable developments relating to our business.

The Board of Directors believes that the modified "Dutch Auction" tender offer represents a mechanism to provide all of our shareholders with the opportunity to tender all or a portion of their shares and, thereby, receive a return of some or all of their investment if they so elect. The Tender Offer provides shareholders (particularly those who, because of the size of their shareholdings, might not be able to sell their shares without potential disruption to the share price) with an opportunity to obtain liquidity with respect to all or a portion of their shares, without potential disruption to the share price and the usual transaction costs associated with market sales. In addition, if we complete the Tender Offer, shareholders who do not participate in the Tender Offer will automatically increase their relative percentage ownership interest in us and our future operations.

The Tender Offer also provides our shareholders with an efficient way to sell their shares without incurring broker's fees or commissions associated with open market sales. Furthermore, odd lot holders who hold shares registered in their names and tender their shares directly to the Depository and whose shares are purchased pursuant to the Tender Offer will avoid any applicable odd lot discounts that might be payable on sales of their shares.

**Our Board of Directors has approved the Tender Offer. However, neither we nor our Board of Directors, nor the Dealer Managers, the Depository nor the Information Agent makes any recommendation to any shareholder as to whether to tender or refrain from tendering any shares or as to the price or prices at which shareholders may choose to tender their shares. We have not authorized any person to make any recommendation. Shareholders should carefully evaluate all information in the Tender Offer and should consult their own investment and tax advisors. You must decide whether to tender your shares and, if so, how many shares to tender and the price or prices at which you will tender them. In doing so, you should read carefully the information in this Offer to Purchase and in the Letter of Transmittal.**

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*Certain Effects of the Tender Offer.* Shareholders who do not tender their shares pursuant to the Tender Offer and shareholders who otherwise retain an equity interest in the Company as a result of a partial tender of shares or proration will continue to be owners of the Company. As a result, if we complete the Tender Offer, those shareholders will realize a proportionate increase in their relative equity interest in the Company and will bear the attendant risks associated with owning our equity securities, including risks resulting from our purchase of shares. Shareholders may be able to sell non-tendered shares in the future on NASDAQ, or otherwise, at a net price significantly higher or lower than the purchase price in the Tender Offer. We can give no assurance as to the price at which a shareholder may be able to sell its shares in the future.

The shares that we acquire in the Tender Offer will be restored to the status of authorized but unissued shares and will be available for us to issue in the future without further shareholder action (except as required by applicable law or the rules of NASDAQ) for purposes including, without limitation, acquisitions, raising additional capital and the satisfaction of obligations under existing or future employee benefit or compensation programs or stock plans or compensation programs for directors.

The Tender Offer will reduce our “public float” (the number of shares owned by non-affiliate shareholders and available for trading in the securities markets), and is likely to reduce the number of our shareholders.

Our directors and executive officers have advised us that they do not intend to tender any of their shares in the Tender Offer. Accordingly, if we complete the Tender Offer the proportional holdings of our directors and executive officers will increase. However, our directors and executive officers may, in compliance with stock ownership guidelines and applicable law, sell their shares in open market transactions at prices that may or may not be more favorable than the purchase price to be paid to our shareholders in the Tender Offer. See Section 11.

Except for the foregoing and as otherwise disclosed in this Offer to Purchase or the documents incorporated by reference herein, we currently have no plans, proposals or negotiations underway that relate to or would result in:

- any extraordinary transaction, such as a merger, reorganization or liquidation, involving us or any of our subsidiaries which is material to us and our subsidiaries, taken as a whole;
- any purchase, sale or transfer of an amount of our assets or any of our subsidiaries’ assets which is material to us and our subsidiaries, taken as a whole;
- any material change in our present Board of Directors or management or any plans or proposals to change the number or the term of directors (although we may fill vacancies arising on the Board of Directors) or to change any material term of the employment contract of any executive officer;
- any material change in our present dividend rate or policy, our indebtedness or capitalization, our corporate structure or our business;
- our ceasing to be authorized to be quoted on NASDAQ;
- our Common Stock becoming eligible for termination of registration under Section 12(g) of the Exchange Act;
- the suspension of our obligation to file reports under Section 15(d) of the Exchange Act;
- the acquisition or disposition by any person of our securities; or
- any changes in our charter or bylaws that could impede the acquisition of control of us.

Notwithstanding the foregoing, as part of our long-term corporate goal of increasing shareholder value, we have regularly considered alternatives to enhance shareholder value, including open market repurchases of our shares, modifications of our dividend policy, strategic acquisitions, divestitures and business combinations, and we intend to continue to consider alternatives to enhance shareholder value. Except as otherwise disclosed in this Offer to Purchase, as of the date hereof, no agreements, understandings or decisions have been reached and there can be no assurance that we will decide to undertake any such alternatives. See Section 11.

### 3. Procedures for Tendering Shares

*Valid Tender.* For a shareholder to make a valid tender of shares in the Tender Offer, the Depository must receive, at one of its addresses set forth on the back cover of this Offer to Purchase and prior to the Expiration Time:

- a Letter of Transmittal, properly completed and duly executed, together with any required signature guarantees (or, in the case of a book-entry transfer, an “agent’s message”) (see “—Book-Entry Transfer” below), and any other required documents; and
- either certificates representing the tendered shares or, in the case of tendered shares delivered in accordance with the procedures for book-entry transfer described below, a book-entry confirmation of that delivery (see “—Book-Entry Transfer” below).

In the alternative, the tendering shareholder must, before the Expiration Time, comply with the guaranteed delivery procedures described below.

If a broker, dealer, commercial bank, trust company, or other nominee holds your shares, it is likely the nominee has established an earlier deadline for you to act to instruct the nominee to accept the Tender Offer on your behalf. We urge you to contact your broker, dealer, commercial bank, trust company, or other nominee to find out the nominee’s applicable deadline.

Participants in our 401(k) Plan that desire to tender shares in the Tender Offer must follow the separate instructions in the “Letter to Microsoft Savings Plus 401(k) Plan Participants” sent to participants in the plan along with this Offer to Purchase.

The valid tender of shares by you through one of the procedures described in this Section 3 will constitute a binding agreement between you and us on the terms of, and subject to the conditions to, the Tender Offer.

**In accordance with Instruction 5 of the Letter of Transmittal, each shareholder desiring to tender shares pursuant to the Tender Offer must either (i) check the box in the section of the Letter of Transmittal captioned “Shares Tendered at Price Determined in the Tender Offer,” in which case you will be deemed to have tendered your shares at the minimum price of \$22.50 per share (YOU SHOULD UNDERSTAND THAT THIS ELECTION MAY LOWER THE PURCHASE PRICE PAID FOR ALL PURCHASED SHARES IN THE TENDER OFFER AND COULD RESULT IN THE TENDERED SHARES BEING PURCHASED AT THE MINIMUM PRICE OF \$22.50 PER SHARE) or (ii) check one, and only one, of the boxes corresponding to the price at which shares are being tendered in the section of the Letter of Transmittal captioned “Shares Tendered at Price Determined by Shareholder.” A tender of shares will be proper if one, and only one, of these boxes is checked on the Letter of Transmittal.**

If tendering shareholders wish to maximize the chance that their shares will be purchased, they should check the box in the section of the Letter of Transmittal captioned “Shares Tendered at Price Determined in the Tender Offer.” If tendering shareholders wish to indicate a specific price at which their shares are being tendered, they must check the applicable price box in the section of the Letter of Transmittal captioned “Shares Tendered at Price Determined by Shareholder.” Tendering shareholders should be aware that this election could mean that none of their shares will be purchased if the price selected by the shareholder is higher than the purchase price eventually determined in the Tender Offer after the Expiration Time. The lower end of the price range for the Tender Offer is below the closing market price for the shares on July 20, 2006, the last full trading day prior to the commencement of the Tender Offer, when the closing market price on NASDAQ was \$22.85.

A shareholder who wishes to tender shares at more than one price must complete a separate Letter of Transmittal for each price at which shares are being tendered. The same shares cannot be tendered (unless previously properly withdrawn in accordance with the terms of the Tender Offer) at more than one price. In order to withdraw, shareholders who tendered at multiple prices pursuant to multiple Letters of Transmittal must comply with the procedures set forth in Section 4.

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We urge shareholders who hold shares through brokers or banks to consult the brokers or banks to determine whether transaction costs are applicable if they tender shares through the brokers or banks and not directly to the Depository.

Shareholders also can specify the order in which we will purchase the specified portions in the event that, as a result of the proration provisions or otherwise, we purchase some but not all of the tendered shares pursuant to the Tender Offer. In the event a shareholder does not designate the order and fewer than all shares are purchased due to proration, the Depository will select the order of shares purchased.

Odd Lot Holders who tender all their shares must also complete the section captioned “Odd Lots” in the Letter of Transmittal and, if applicable, in the Notice of Guaranteed Delivery, to qualify for the priority treatment available to Odd Lot Holders as set forth in Section 1.

**Book-Entry Transfer.** For purposes of the Tender Offer, the Depository will establish an account for the shares at The Depository Trust Company (the “book-entry transfer facility”) within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in the book-entry transfer facility’s system may make book-entry delivery of shares by causing the book-entry transfer facility to transfer those shares into the Depository’s account in accordance with the book-entry transfer facility’s procedures for that transfer. Although delivery of shares may be effected through book-entry transfer into the Depository’s account at the book-entry transfer facility, the Letter of Transmittal, properly completed and duly executed, with any required signature guarantees, or an agent’s message, and any other required documents must, in any case, be transmitted to, and received by, the Depository at one of its addresses listed on the back cover of this Offer to Purchase prior to the Expiration Time, or the tendering shareholder must comply with the guaranteed delivery procedures described below.

The confirmation of a book-entry transfer of shares into the Depository’s account at the book-entry transfer facility described above is referred to in this Offer to Purchase as a “book-entry confirmation.” **Delivery of documents to the book-entry transfer facility in accordance with the book-entry transfer facility’s procedures will not constitute delivery to the Depository.**

The term “agent’s message” means a message transmitted by the book-entry transfer facility to, and received by, the Depository and forming a part of a book-entry confirmation, stating that the book-entry transfer facility has received an express acknowledgment from the participant tendering shares through the book-entry transfer facility that the participant has received and agrees to be bound by the terms of the Letter of Transmittal and that we may enforce that agreement against that participant.

**Method of Delivery.** The method of delivery of shares, the Letter of Transmittal and all other required documents, including delivery through the book-entry transfer facility, is at the election and risk of the tendering shareholder. Shares will be deemed delivered only when actually received by the Depository (including, in the case of a book-entry transfer, by book-entry confirmation). If you plan to make delivery by mail, we recommend that you deliver by registered mail with return receipt requested and obtain proper insurance. In all cases, sufficient time should be allowed to ensure timely delivery.

*Signature Guarantees.* No signature guarantee will be required on a Letter of Transmittal for shares tendered thereby if:

- the “registered holder(s)” of those shares signs the Letter of Transmittal and has not completed the box entitled “Special Payment Instructions” in the Letter of Transmittal; or
- those shares are tendered for the account of an “eligible institution.”

A “registered holder” of tendered shares will include any participant in the book-entry transfer facility’s system whose name appears on a security position listing as the owner of those shares, and an “eligible

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institution” is a “financial institution,” which term includes most commercial banks, savings and loan associations and brokerage houses, that is a participant in any of the following: (i) the Securities Transfer Agents Medallion Program; (ii) The New York Stock Exchange, Inc. Medallion Signature Program; or (iii) the Stock Exchange Medallion Program.

Except as described above, all signatures on any Letter of Transmittal for shares tendered thereby must be guaranteed by an eligible institution. See Instructions 7 and 12 to the Letter of Transmittal. If the certificates for shares are registered in the name of a person other than the signer of the Letter of Transmittal, or if payment is to be made or certificates for shares not tendered or not accepted for payment are to be returned to a person other than the registered holder of the certificates surrendered, then the tendered certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered holders or owners appear on the certificates, with the signatures on the certificates or stock powers guaranteed by an eligible institution. See Instructions 7 and 12 to the Letter of Transmittal.

*Guaranteed Delivery.* If you wish to tender shares in the Tender Offer and your certificates for shares are not immediately available or the procedures for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Depository prior to the Expiration Time, your tender may be effected if all the following conditions are met:

- your tender is made by or through an eligible institution;
- a properly completed and duly executed Notice of Guaranteed Delivery in the form we have provided is received by the Depository, as provided below, prior to the Expiration Time; and
- the Depository receives at one of its addresses listed on the back cover of this Offer to Purchase and within the period of three trading days after the date of execution of that Notice of Guaranteed Delivery, either: (i) the certificates representing the shares being tendered, in the proper form for transfer, together with all other required documents and a Letter of Transmittal, which has been properly completed and duly executed and includes all signature guarantees required; or (ii) confirmation of book-entry transfer of the shares into the Depository’s account at the book-entry transfer facility, together with all other required documents and either a Letter of Transmittal, which has been properly completed and duly executed and includes all signature guarantees required, or an agent’s message.

A Notice of Guaranteed Delivery must be delivered to the Depository by hand, overnight courier, facsimile transmission or mail before the Expiration Time and must include a guarantee by an eligible institution in the form set forth in the Notice of Guaranteed Delivery.

*401(k) Plan.* Participants in our 401(k) Plan who wish to have the trustee tender eligible shares attributable to their plan account must complete, execute and return to the plan trustee the tender direction form included in the “Letter to Microsoft Savings Plus 401(k) Plan Participants” sent to each participant of the plan. Participants in our 401(k) Plan may not use the Letter of Transmittal to direct the tender of their shares held in the plan, but instead must follow the separate direction form sent to them. Although the Tender Offer will remain open to all shareholders until the Expiration Time, if the trustee does not receive a participant’s instructions three business days prior to the Expiration Time, the trustee will not tender shares attributable to the participant’s account. Participants are urged to read the “Letter from Microsoft Corporation to Participants in its 401(k) Plan” and the separate direction form carefully.

*Stock Purchase Plan.* Participants in the Stock Purchase Plan have their shares registered in the name of Fidelity Investments, a broker, and should follow the instructions applicable to brokers and other nominees. Please contact the Information Agent at (866) 482-5026 with any questions regarding tendering shares acquired in the Stock Purchase Plan.

*Stock Option Plans; Stock Awards.* Holders of vested but unexercised options to purchase shares may exercise such options in accordance with the terms of the Stock Option Plans and tender the shares received upon

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such exercise in accordance with the Tender Offer. Holders of vested but unexercised options should evaluate this Offer to Purchase carefully to determine if participation would be advantageous to them, based on their stock option exercise prices, the date of their stock option grants and the years left to exercise their options, the range of tender prices and the provisions for pro rata purchases by the Company described in Section 1. We strongly encourage those holders to discuss the Tender Offer with their tax advisor, broker and/or financial advisor. Holders of stock awards and other restricted equity interests may not tender shares or shares represented by such interests unless they are fully vested.

*Return of Unpurchased Shares.* The Depository will return certificates for unpurchased shares promptly after the expiration or termination of the Tender Offer or the proper withdrawal of the shares, as applicable, or, in the case of shares tendered by book-entry transfer at the book-entry transfer facility, the Depository will credit the shares to the appropriate account maintained by the tendering shareholder at the book-entry transfer facility, in each case without expense to the shareholder.

*Tendering Shareholders' Representation and Warranty; Our Acceptance Constitutes an Agreement.* It is a violation of Rule 14e-4 promulgated under the Exchange Act for a person acting alone or in concert with others, directly or indirectly, to tender shares for such person's own account unless at the time of tender and at the Expiration Time such person has a "net long position" in (i) a number of shares that is equal to or greater than the amount tendered and will deliver or cause to be delivered such shares for the purpose of tendering to us within the period specified in the Tender Offer or (ii) other securities immediately convertible into, exercisable for or exchangeable into shares ("Equivalent Securities") that is equal to or greater than the number of shares tendered and, upon the acceptance of such tender, will acquire such shares by conversion, exchange, or exercise of such Equivalent Securities to the extent required by the terms of the Tender Offer and will deliver or cause to be delivered such shares so acquired for the purpose of tender to us within the period specified in the Tender Offer. Rule 14e-4 also provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person. A tender of shares made pursuant to any method of delivery set forth in this Offer to Purchase will constitute the tendering shareholder's acceptance of the terms and conditions of the Tender Offer, as well as the tendering shareholder's representation and warranty to us that (i) such shareholder has a "net long position" in a number of shares or Equivalent Securities at least equal to the shares being tendered within the meaning of Rule 14e-4, and (ii) such tender of shares complies with Rule 14e-4. Our acceptance for payment of shares tendered pursuant to the Tender Offer will constitute a binding agreement between the tendering shareholder and us upon the terms and subject to the conditions of the Tender Offer.

*Determination of Validity; Rejection of Shares; Waiver of Defects; No Obligation to Give Notice of Defects.* All questions about the number of shares to be accepted, the price to be paid for shares to be accepted and the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of shares will be determined by us, in our sole discretion, and our determination will be final and binding on all parties. We reserve the absolute right prior to the expiration of the Tender Offer to reject any or all tenders we determine not to be in proper form or the acceptance for payment of or payment for which may, in the opinion of our counsel, be unlawful. We also reserve the absolute right, subject to applicable law, to waive any conditions of the Tender Offer with respect to all shareholders or any defect or irregularity in any tender with respect to any particular shares or any particular shareholder. If we waive any defect or irregularity in any tender with respect to any shareholder, we will also waive such defect or irregularity with respect to all shareholders. No tender of shares will be deemed to have been validly made until all defects or irregularities relating to it have been cured or waived. Neither we nor the Dealer Managers, the Depository, the Information Agent nor any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. Our interpretation of the terms of and conditions to the Tender Offer, including the Letter of Transmittal and the instructions thereto, will be final and binding on all parties.

*Lost Certificates.* If the share certificates which a registered holder wants to surrender have been lost, destroyed or stolen, the shareholder should follow the instructions set forth in the Letter of Transmittal. See Instruction 9 of the Letter of Transmittal.

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*United States Federal Income Tax Withholding.* Under the United States backup withholding rules, 28% of the gross proceeds payable to a shareholder or other payee pursuant to the Tender Offer must be withheld and remitted to the United States Treasury, unless the shareholder or other payee (i) provides its taxpayer identification number (i.e., its employer identification number or social security number) to the Depository and certifies that such number is correct and that such shareholder is not subject to backup withholding, or (ii) establishes that an exemption from withholding otherwise applies under applicable regulations. Therefore, unless an exemption exists and is proven in a manner satisfactory to the Depository, each tendering shareholder that is a U.S. Holder (as defined in Section 14) should complete and sign the Substitute Form W-9 included as part of the Letter of Transmittal so as to provide the information and certification necessary to avoid backup withholding. Certain shareholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign shareholder to qualify as an exempt recipient, that shareholder must submit a statement (generally, an IRS Form W-8BEN), signed under penalties of perjury, attesting to that shareholder's exempt status. Such statements can be obtained from the Depository. See Instruction 2 of the Letter of Transmittal.

**ANY TENDERING SHAREHOLDER OR OTHER PAYEE THAT FAILS TO COMPLETE FULLY AND SIGN THE SUBSTITUTE FORM W-9 INCLUDED IN THE LETTER OF TRANSMITTAL (OR SUCH OTHER IRS FORM AS MAY BE APPLICABLE) MAY BE SUBJECT TO REQUIRED UNITED STATES BACKUP WITHHOLDING AT A RATE EQUAL TO 28% OF THE GROSS PROCEEDS PAID TO SUCH SHAREHOLDER OR OTHER PAYEE PURSUANT TO THE TENDER OFFER.**

In addition, gross proceeds payable pursuant to the Tender Offer to a foreign shareholder or its agent will be subject to withholding of United States federal income tax at a rate of 30%, unless the Company determines that a reduced rate of withholding is applicable pursuant to a tax treaty or that an exemption from withholding is applicable because such gross proceeds are effectively connected with the conduct of a trade or business within the United States and, in either case, the foreign shareholder provides the appropriate certification, as described below. For this purpose, a foreign shareholder is any shareholder that is not for United States federal income tax purposes: (a) an individual citizen or resident of the United States, (b) a corporation, partnership, or other entity created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (c) an estate the income of which is subject to United States federal income taxation regardless of its source, or (d) a trust if either: (1) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (2) a trust has a valid election in effect to be treated as a United States person under applicable treasury regulations.

A foreign shareholder may be eligible to file for a refund of such tax or a portion of such tax withheld if such shareholder meets the "complete termination," "substantially disproportionate" or "not essentially equivalent to a dividend" tests described in Section 14 or if such shareholder is entitled to a reduced rate of withholding pursuant to a tax treaty and we withheld at a higher rate. In order to obtain a reduced rate of withholding under a tax treaty, a foreign shareholder must deliver to the Depository before payment a properly completed and executed IRS Form W-8BEN claiming such an exemption or reduction. Such forms can be obtained from the Depository. In order to claim an exemption from withholding on the grounds that gross proceeds paid pursuant to the Tender Offer are effectively connected with the conduct of a trade or business within the United States, a foreign shareholder must deliver to the Depository a properly completed and executed IRS Form W-8ECI claiming such exemption. Such forms can be obtained from the Depository. See Instruction 2 of the Letter of Transmittal. Backup withholding generally will not apply to amounts subject to the 30% or a treaty-reduced rate of withholding. Foreign shareholders are urged to consult their own tax advisors regarding the application of United States federal income tax withholding, including eligibility for a withholding tax reduction or exemption and the refund procedure.

For a discussion of material United States federal income tax consequences to tendering shareholders, see Section 14.

#### 4. Withdrawal Rights

Except as this Section 4 otherwise provides, tenders of shares are irrevocable. You may withdraw shares that you have previously tendered in the Tender Offer according to the procedures described below at any time prior to the Expiration Time for all shares. You may also withdraw your previously tendered shares at any time after 12:00 midnight, Eastern Time, on September 15, 2006, unless such shares have been accepted for payment as provided in the Tender Offer.

For a withdrawal to be effective, a written notice of withdrawal must:

- be received in a timely manner by the Depositary at one of its addresses listed on the back cover of this Offer to Purchase; and
- specify the name of the person having tendered the shares to be withdrawn, the number of shares to be withdrawn and the name of the registered holder of the shares to be withdrawn, if different from the name of the person who tendered the shares.

If certificates for shares have been delivered or otherwise identified to the Depositary, then, prior to the physical release of those certificates, the serial numbers shown on those certificates must be submitted to the Depositary and, unless an eligible institution has tendered those shares, an eligible institution must guarantee the signatures on the notice of withdrawal.

If a shareholder has used more than one Letter of Transmittal or has otherwise tendered shares in more than one group of shares, the shareholder may withdraw shares using either separate notices of withdrawal or a combined notice of withdrawal, so long as the information specified above is included.

If shares have been delivered in accordance with the procedures for book-entry transfer described in Section 3, any notice of withdrawal must also specify the name and number of the account at the book-entry transfer facility to be credited with the withdrawn shares and otherwise comply with the book-entry transfer facility's procedures.

Withdrawals of tenders of shares may not be rescinded and any shares properly withdrawn will thereafter be deemed not validly tendered for purposes of the Tender Offer. Withdrawn shares may be retendered at any time prior to the Expiration Time by again following one of the procedures described in Section 3.

We will decide, in our sole discretion, all questions as to the form and validity, including time of receipt, of notices of withdrawal, and each such decision will be final and binding on all parties. We also reserve the absolute right to waive any defect or irregularity in the withdrawal of shares by any shareholder. However, if we waive any defect or irregularity in any withdrawal with respect to any shareholder, we will also waive such defect or irregularity with respect to all shareholders. Neither we nor the Dealer Managers, the Depositary, the Information Agent nor any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

Participants in our 401(k) Plan who wish to have the trustee withdraw previously tendered shares attributable to their plan account must follow the procedures set forth in the "Letter to Microsoft Savings Plus 401(k) Plan Participants" sent separately to each plan participant.

If we extend the Tender Offer, are delayed in our purchase of shares, or are unable to purchase shares in the Tender Offer as a result the occurrence of a condition disclosed in Section 7, then, without prejudice to our rights in the Tender Offer, the Depositary may, subject to applicable law, retain tendered shares on our behalf, and such shares may not be withdrawn except to the extent tendering shareholders are entitled to withdrawal rights as described in this Section 4. Our reservation of the right to delay payment for shares which we have accepted for payment is limited by Rule 13e-4(f)(5) promulgated under the Exchange Act, which requires that we must pay the consideration offered or return the shares tendered promptly after termination or withdrawal of a tender offer.

## 5. Purchase of Shares and Payment of Purchase Price

Upon the terms and subject to the conditions of the Tender Offer, promptly following the Expiration Time, we will (i) determine a single per share purchase price that we will pay for the shares properly tendered and not properly withdrawn before the Expiration Time, taking into account the number of shares tendered and the prices specified by tendering shareholders, and (ii) accept for payment and pay the purchase price for (and thereby purchase) up to 808,080,808 shares (or such greater number of shares as we may elect to purchase, subject to applicable law) properly tendered at prices at or below the purchase price and not properly withdrawn before the Expiration Time.

For purposes of the Tender Offer, we will be deemed to have accepted for payment (and therefore purchased), subject to the “odd lot” priority, proration and conditional tender provisions of this Tender Offer, shares that are properly tendered at or below the purchase price selected by us and not properly withdrawn only when, as and if we give oral or written notice to the Depository of our acceptance of the shares for payment pursuant to the Tender Offer.

Upon the terms and subject to the conditions of the Tender Offer, we will accept for payment and pay the per share purchase price for all of the shares accepted for payment pursuant to the Tender Offer promptly after the Expiration Time. In all cases, payment for shares tendered and accepted for payment pursuant to the Tender Offer will be made promptly, subject to possible delay in the event of proration, but only after timely receipt by the Depository of:

- certificates for shares or a timely book-entry confirmation of the deposit of shares into the Depository’s account at the book-entry transfer facility;
- a properly completed and duly executed Letter of Transmittal (or, in the case of a book-entry transfer, an agent’s message); and
- any other required documents.

We will pay for shares purchased pursuant to the Tender Offer by depositing the aggregate purchase price for the shares with the Depository, which will act as agent for tendering shareholders for the purpose of receiving payment from us and transmitting payment to the tendering shareholders.

In the event of proration, we will determine the proration factor and pay for those tendered shares accepted for payment promptly after the Expiration Time. However, we expect that we will not be able to announce the final results of any proration or commence payment for any shares purchased pursuant to the Tender Offer until up to ten business days after the Expiration Time. Unless a shareholder specifies otherwise in the Letter of Transmittal, certificates for all shares tendered and not purchased, including all shares tendered at prices in excess of the purchase price and shares not purchased due to proration or conditional tender, will be returned or, in the case of shares tendered by book-entry transfer, will be credited to the account maintained with the book-entry transfer facility by the participant who delivered the shares, to the tendering shareholder at our expense promptly after the Expiration Time or termination of the Tender Offer.

**Under no circumstances will we pay interest on the purchase price, including but not limited to, by reason of any delay in making payment. In addition, if certain events occur, we may not be obligated to purchase shares pursuant to the Tender Offer. See Section 7.**

We will pay all stock transfer taxes, if any, payable on the transfer to us of shares purchased pursuant to the Tender Offer. If, however, payment of the purchase price is to be made to, or (in the circumstances permitted by the Tender Offer) if unpurchased shares are to be registered in the name of, any person other than the registered holder, or if tendered certificates are registered in the name of any person other than the person signing the Letter of Transmittal, the amount of all stock transfer taxes, if any (whether imposed on the registered holder or the other person), payable on account of the transfer to the person will be deducted from the purchase price unless satisfactory evidence of the payment of the stock transfer taxes, or exemption from payment of the stock transfer taxes, is submitted.

Any tendering shareholder or other payee that fails to complete fully, sign and return to the Depository the Substitute Form W-9 included in the Letter of Transmittal (or such other IRS form as may be applicable) may be subject to required United States backup withholding at a rate equal to 28% of the gross proceeds paid to the shareholder or other payee pursuant to the Tender Offer. See Section 3. Also see Section 3 regarding U.S. federal income tax consequences for foreign shareholders.

## 6. Conditional Tender of Shares

Subject to the exception for Odd Lot Holders, in the event of an over-subscription of the Tender Offer, shares tendered at or below the purchase price prior to the Expiration Time will be subject to proration. See Section 1. As discussed in Section 14, the number of shares to be purchased from a particular shareholder may affect the tax treatment of the purchase to the shareholder and the shareholder's decision whether to tender. Accordingly, a shareholder may tender shares subject to the condition that a specified minimum number of the shareholder's shares tendered pursuant to a Letter of Transmittal must be purchased if any shares tendered are purchased. Any shareholder desiring to make a conditional tender must so indicate in the section entitled "Conditional Tender" in the Letter of Transmittal, and, if applicable, in the Notice of Guaranteed Delivery.

Any tendering shareholder wishing to make a conditional tender must calculate and appropriately indicate the minimum number of shares that must be purchased if any are to be purchased. After the Tender Offer expires, if more than 808,080,808 shares (or such greater number of shares as we may elect to accept for payment, subject to applicable law) are properly tendered and not properly withdrawn, so that we must prorate our acceptance of and payment for tendered shares, we will calculate a preliminary proration percentage based upon all shares properly tendered, conditionally or unconditionally. If the effect of this preliminary proration would be to reduce the number of shares to be purchased from any shareholder below the minimum number specified, the tender will automatically be regarded as withdrawn (except as provided in the next paragraph). All shares tendered by a shareholder subject to a conditional tender and regarded as withdrawn as a result of proration will be returned at our expense, promptly after the Expiration Time.

After giving effect to these withdrawals, we will accept the remaining shares properly tendered, conditionally or unconditionally, on a pro rata basis, if necessary. If conditional tenders would otherwise be regarded as withdrawn and would cause the total number of shares to be purchased to fall below 808,080,808 (or such greater number of shares as we may elect to accept for payment, subject to applicable law) then, to the extent feasible, we will select enough of the conditional tenders that would otherwise have been withdrawn to permit us to purchase 808,080,808 shares (or such greater number of shares as we may elect to accept for payment, subject to applicable law). In selecting among the conditional tenders, we will select by random lot, treating all tenders by a particular taxpayer as a single lot, and will limit our purchase in each case to the designated minimum number of shares to be purchased. To be eligible for purchase by random lot, shareholders whose shares are conditionally tendered must have tendered all of their shares.

## 7. Conditions of the Tender Offer

Notwithstanding any other provision of the Tender Offer, we will not be required to accept for payment, purchase or pay for any shares tendered, and may terminate or amend the Tender Offer or may postpone the acceptance for payment of, or the purchase of and the payment for shares tendered, subject to Rule 13e-4(f)(5) under the Exchange Act (which requires that the issuer making the tender offer shall either pay the consideration offered or return tendered securities promptly after the termination or withdrawal of the tender offer), if at any time prior to the Expiration Time (whether any shares have theretofore been accepted for payment) any of the following events has occurred (or shall have been reasonably determined by us to have occurred) that, in our reasonable judgment and regardless of the circumstances giving rise to the event or events (other than any such event or events that are proximately caused by our action or failure to act), make it inadvisable to proceed with the Tender Offer or with acceptance for payment:

- there has occurred any change in the general political, market, economic or financial conditions, domestically or internationally, that is reasonably likely to materially and adversely affect our business or the trading in the shares, including, but not limited to, the following:

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- any general suspension of, or general limitation on prices for, or trading in, securities on any national securities exchange in the United States or in the over-the-counter market;
- a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or any limitation (whether or not mandatory) by any governmental agency or authority on, or any other event that, in our reasonable judgment, could reasonably be expected to adversely affect, the extension of credit by banks or other financial institutions in the United States;
- the commencement or escalation of a war, armed hostilities or other similar national or international calamity directly or indirectly involving the United States;
- a decrease in excess of 10% in the market price for the shares or in the Dow Jones Industrial Average, NASDAQ Composite Index or the S&P 500 Composite Index; or
- legislation amending the Code (as defined in Section 14) having been passed by either the U.S. House of Representatives or the Senate or being pending before the U.S. House of Representatives or the Senate or any committee thereof, the effect of which, in our reasonable judgment, would be to change the tax consequences of the transaction contemplated by the Tender Offer in any manner that would adversely affect us or any of our affiliates;
- there has been instituted, threatened, or been pending any action, proceeding, application or counterclaim by or before any court or governmental, administrative or regulatory agency or authority, domestic or foreign, or any other person or tribunal, domestic or foreign, which:
  - challenges or seeks to challenge, restrain, prohibit or delay the making of the Tender Offer, the acquisition by us of the shares in the Tender Offer, or any other matter relating to the Tender Offer, or seeks to obtain any material damages or otherwise relating to the transactions contemplated by the Tender Offer;
  - seeks to make the purchase of, or payment for, some or all of the shares pursuant to the Tender Offer illegal or results in a delay in our ability to accept for payment or pay for some or all of the shares; or
  - seeks to impose limitations on our ability (or any affiliate of ours) to acquire the shares or otherwise could reasonably be expected to materially adversely affect the business, properties, assets, liabilities, capitalization, shareholders' equity, financial condition, operations, licenses, results of operations or prospects of us, our subsidiaries and our affiliates, taken as a whole, or the value of the shares;
- any action has been taken or any statute, rule, regulation, judgment, decree, injunction or order (preliminary, permanent or otherwise) has been proposed, sought, enacted, entered, promulgated, enforced or deemed to be applicable to the Tender Offer or us or any of our subsidiaries or affiliates by any court, government or governmental agency or other regulatory or administrative authority, domestic or foreign, which, in our reasonable judgment:
  - indicates that any approval or other action of any such court, agency or authority may be required in connection with the Tender Offer or the purchase of shares thereunder;
  - could reasonably be expected to prohibit, restrict or delay consummation of the Tender Offer; or
  - otherwise could reasonably be expected to materially adversely affect the business, properties, assets, liabilities, capitalization, shareholders' equity, financial condition, operations, licenses or results of operations of us, our subsidiaries and our affiliates, taken as a whole;
- a tender or exchange offer for any or all of our outstanding shares (other than this Tender Offer), or any merger, acquisition, business combination or other similar transaction with or involving us or any subsidiary, has been proposed, announced or made by any person or entity or has been publicly disclosed;
- we learn that any entity, "group" (as that term is used in Section 13(d) (3) of the Exchange Act) or person has acquired or proposes to acquire beneficial ownership of more than 5% of our outstanding

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shares, whether through the acquisition of stock, the formation of a group, the grant of any option or right, or otherwise (other than anyone who publicly disclosed such ownership in a filing with the SEC on or before July 20, 2006);

- any change (or condition, event or development involving a prospective change) in the business, properties, assets, liabilities, capitalization, shareholders' equity, financial condition, operations, licenses, results of operations or prospects of us or any of our subsidiaries or affiliates, that, in our reasonable judgment, does or is reasonably likely to have a materially adverse effect on us, our subsidiaries and our affiliates, taken as a whole, or we have become aware of any fact that, in our reasonable judgment, does or is reasonably likely to have a material adverse effect on the value of the shares;
- any approval, permit, authorization, favorable review or consent of any governmental entity required to be obtained in connection with the Tender Offer has not been obtained on terms satisfactory to us in our reasonable discretion; or
- we determine that the consummation of the Tender Offer and the purchase of the shares is reasonably likely to:
  - cause the shares to be held of record by less than 300 persons; or
  - cause the shares to be delisted from NASDAQ or to be eligible for deregistration under the Exchange Act.

The conditions referred to above are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any of these conditions (other than conditions that are proximately caused by our action or failure to act), and may be waived by us, in whole or in part, at any time and from time to time in our reasonable discretion before the Expiration Time. Our failure at any time to exercise any of the foregoing rights will not be deemed a waiver of any right, and each such right will be deemed an ongoing right that may be asserted at any time and from time to time prior to the Expiration Time. Any determination by us concerning the events described above will be final and binding on all parties.

### 8. Price Range of the Shares

The shares are traded on NASDAQ under the symbol "MSFT". The following table sets forth, for each of the periods indicated, the high and low sales prices per share as reported by NASDAQ based on published financial sources.

	<u>High</u>	<u>Low</u>
Fiscal 2005		
First Quarter	\$ 29.00	26.88
Second Quarter	29.98	26.53
Third Quarter	26.84	23.92
Fourth Quarter	26.07	24.12
Fiscal 2006		
First Quarter	27.94	24.50
Second Quarter	28.25	24.25
Third Quarter	28.38	26.10
Fourth Quarter	27.94	21.46
Fiscal 2007		
First Quarter (through July 19, 2006)	23.70	22.26

On July 20, 2006, the last full trading day before the commencement of the Tender Offer, the reported closing price of the shares on NASDAQ was \$22.85 per share. **We urge shareholders to obtain a current market price for the shares before deciding whether and at what price or prices to tender their shares.**

## 9. Source and Amount of Funds

Assuming that the maximum of 808,080,808 shares are tendered in the Tender Offer at the maximum purchase price of \$24.75 per share, the aggregate purchase price will be approximately \$20 billion. We anticipate that we will pay for the shares tendered in the Tender Offer, as well as paying related fees and expenses, from our cash and short-term investments.

## 10. Information About Microsoft Corporation

Founded in 1975, Microsoft is the worldwide leader in software, services and solutions. We develop, manufacture, license, and support a wide range of software products for many computing devices. Our software products include operating systems for servers, PCs, and intelligent devices; server applications for distributed computing environments; information worker productivity applications; business solutions applications; and software development tools. We provide consulting and product support services, and we train and certify system integrators and developers. We sell the Xbox video game console and games, PC games and PC peripherals. We provide online communication and information services and the MSN portals and channels around the world.

We drive the long-term growth of our business through technological innovation, engineering excellence, and a commitment to delivering high-quality products and services to customers and partners. To take advantage of new market opportunities, we continue to invest in research and development of existing and new lines of business, such as software-enabled services for consumers, businesses and large enterprises that we believe can contribute significantly to our long-term growth. We also research and develop advanced technologies for future software products. We believe that we have laid a foundation for long-term growth by investing in and delivering a pipeline of innovative new products, creating opportunity for partners, improving customer satisfaction with key audiences, putting some of our most significant legal cases behind us, and improving our internal business processes.

*Where You Can Find More Information.* We are subject to the informational filing requirements of the Exchange Act, and, accordingly, are obligated to file reports, statements and other information with the SEC relating to our business, financial condition and other matters. Information, as of particular dates, concerning directors and officers, their remuneration, options and other stock awards granted to them, the principal holders of our securities and any material interest of these persons in transactions with us is required to be disclosed in proxy statements distributed to our shareholders and filed with the SEC. We also have filed an Issuer Tender Offer Statement on Schedule TO with the SEC that includes additional information relating to the Tender Offer.

These reports, statements and other information can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of this material may also be obtained by mail, upon payment of the SEC's customary charges, from the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. The SEC also maintains a web site on the Internet at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

*Incorporation by Reference.* The rules of the SEC allow us to "incorporate by reference" information into this Offer to Purchase, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The Tender Offer incorporates by reference the documents listed below, including the financial statements and the notes related thereto contained in those documents that have been previously filed with the SEC. These documents contain important information about us.

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<u>SEC Filings</u>	<u>Period or Date Filed</u>
<i>Annual Report on Form 10-K</i>	Fiscal year ended June 30, 2005
<i>Quarterly Reports on Form 10-Q</i>	Fiscal quarter ended September 30, 2005 Fiscal quarter ended December 31, 2005, as amended by the Form 10-Q filed on March 3, 2006 Fiscal quarter ended March 31, 2006
<i>Current Reports on Form 8-K</i>	Filed on August 4, 2005, November 14, 2005, November 21, 2005, January 20, 2006, February 3, 2006, April 13, 2006, June 16, 2006, and July 17, 2006

You can obtain any of the documents incorporated by reference in this Offer to Purchase from us or from the SEC's web site at the address described above. Documents incorporated by reference are available from us without charge, excluding any exhibits to those documents. 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; Toll Free: (800) 285-7772, From outside the United States: (425) 706-4400; Email: [msft@microsoft.com](mailto:msft@microsoft.com). You may also review and/or download free copies of these filings at our website at [www.microsoft.com/msft](http://www.microsoft.com/msft). We are not incorporating the contents of our website into this Offer to Purchase and information contained on our website is not part of this Tender Offer.

### **11. Interest of Directors and Executive Officers; Transactions and Arrangements Concerning the Shares**

As of July 17, 2006, there were 10,004,128,767 shares of our Common Stock issued and outstanding. The 808,080,808 shares we are offering to purchase in the Tender Offer represent approximately 8.1% of the total number of issued and outstanding shares as of July 17, 2006.

As of July 17, 2006, our directors and executive officers as a group (17 persons) beneficially owned an aggregate of approximately 1,414,468,475 shares, representing approximately 14.11% of the total number of outstanding shares. Our directors and executive officers have advised us that they do not intend to tender any of their shares in the Tender Offer. Accordingly, assuming we purchase 808,080,808 shares in the Tender Offer, the Tender Offer will increase the proportional holdings of our directors and executive officers to approximately 15.38%. However, our directors and executive officers may, in compliance with stock ownership guidelines and applicable law, sell their shares in open market transactions at prices that may or may not be more favorable than the purchase price to be paid to our shareholders in the Tender Offer.

The aggregate number and percentage of shares of our Common Stock that were beneficially owned by our current directors and executive officers, as of July 17, 2006, were as set forth in the table below. Assuming we purchase an aggregate of 808,080,808 shares in the Tender Offer, and no director or executive officer tenders any shares in the Tender Offer, the percentage beneficial ownership of each director and executive officer after the Tender Offer will be approximately as set forth in the table below.

Unless otherwise indicated, the address of each person listed is c/o Microsoft Corporation, One Microsoft Way, Redmond, Washington 98052-6399.

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	As of July 17, 2006		Percentage Owned After Tender Offer (with above stated assumptions)
	Number of Shares Owned (1)	Percent Owned	
<b>Executive Officers and Directors</b>			
William H. Gates III	977,499,336(2)	9.77%	10.63%
Steven A. Ballmer	409,977,990	4.10%	4.46%
James I. Cash, Jr.	69,887(3)	*	*
Dina Dublon	0	*	*
Raymond V. Gilmartin	67,687(4)	*	*
Ann McLaughlin Korologos	99,020(5)	*	*
David F. Marquardt	2,242,759(6)	*	*
Charles H. Noski	7,713(7)	*	*
Helmut Panke	7,489	*	*
Jon A. Shirley	2,101,467(8)	*	*
Robert J. (“Robbie”) Bach	2,337,387(9)	*	*
Lisa E. Brummel	1,831,331(10)	*	*
Kevin R. Johnson	985,378(11)	*	*
Christopher P. Liddell	12,257	*	*
Jeffrey S. Raikes	14,602,446(12)	*	*
Bradford L. Smith	2,626,328(13)	*	*
B. Kevin Turner	0	*	*
All Executive Officer and Directors as a group (17 persons)	1,414,468,475(14)	14.11%	15.38%

\* Less than 1%

- (1) Indicates shares of Microsoft Common Stock beneficially owned. “Beneficial ownership” means the sole or shared power to vote, or to direct the voting of, a security, or sole or shared investment power with respect to a security, or any combination thereof, and the right to acquire such power with respect to a security within 60 days. To the Company’s knowledge, Mr. Gates is the only shareholder who beneficially owns more than 5% of the outstanding Common Stock as of July 17, 2006.
- (2) Excludes 425,066 shares held by Mr. Gates’ wife, as to which he disclaims beneficial ownership.
- (3) Includes 61,110 options to purchase Company stock exercisable within sixty days of July 17, 2006 (“Vested Options”), and excludes 200 shares held in an account for the benefit of Dr. Cash’s nephew, as to which he disclaims beneficial ownership.
- (4) Includes 61,110 Vested Options, and excludes 1,200 shares held by Mr. Gilmartin’s wife, as to which he disclaims beneficial ownership.
- (5) Includes 94,443 Vested Options.
- (6) Includes 183,331 Vested Options.
- (7) Represents 6,313 shares held by the Charles H. Noski and Lisa J. Noski Revocable Trust and 1,400 shares held in trusts for two of Mr. Noski’s minor children.
- (8) Includes 94,443 Vested Options.
- (9) Includes 1,527,778 Vested Options and 6,489 shares to be issued upon a stock award that will vest within sixty days of July 17, 2006 (“Vested Stock Awards”).
- (10) Includes 1,811,111 Vested Options and 6,468 Vested Stock Awards.
- (11) Includes 966,667 Vested Options and 3,022 Vested Stock Awards.
- (12) Includes 9,972,221 Vested Options and 3,556 Vested Stock Awards.
- (13) Includes 2,582,889 Vested Options and 6,756 Vested Stock Awards.
- (14) Includes 17,355,103 Vested Options and 26,291 Vested Stock Awards.

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*401(k) Plan.* We have a savings plan in the United States that qualifies under Section 401(k) of the Code, and a number of savings plans in international locations. Participating U.S. employees may contribute up to 50% of their eligible compensation, but not more than statutory limits. We contribute a matching contribution each pay period equal to 50% of a participant's contributions up to a 6% contribution rate. The maximum company match is 3% of the participant's eligible compensation subject to regulatory limitations. Matching contributions are invested proportionate to each participant's voluntary contributions in the investment options provided under the plan. Investment options in the U.S. plan include our Common Stock, but neither the participant nor our matching contributions are required to be invested in our Common Stock.

*Stock Purchase Plan.* We have an employee stock purchase plan for all eligible employees. Under the Stock Purchase Plan, shares may be purchased by employees at three-month intervals at 90% of the fair market value on the last day of each three-month period. Employees may purchase shares having a value not exceeding 15% of their gross compensation during an offering period.

*Recent Securities Transactions.* Based on our records and on information provided to us by our directors, executive officers, affiliates, and subsidiaries, neither we nor any of our directors, executive officers, affiliates or subsidiaries have effected any transactions involving shares of our Common Stock during the 60 days prior to July 21, 2006, except as follows:

- Customary and ongoing purchases of shares through our Stock Purchase Plan and purchases under our 401(k) Plan.
- We made the following purchases of shares under our stock repurchase program at the average prices per share indicated in the table below. Certain of the purchases listed in the following table were made pursuant to a 10b5-1 stock purchase plan.

<u>Date</u>	<u>Shares Bought</u>	<u>Avg. Price per Share</u>
July 19, 2006	7,739,361	\$23.20
July 18, 2006	8,500,000	\$22.64
July 17, 2006	5,700,000	\$22.46
July 14, 2006	7,000,000	\$22.37
July 13, 2006	8,500,000	\$22.45
July 12, 2006	7,400,000	\$22.76
July 11, 2006	7,121,400	\$23.07
July 10, 2006	10,204,000	\$23.49
July 7, 2006	11,375,000	\$23.44
July 6, 2006	10,000,000	\$23.51
July 5, 2006	10,000,000	\$23.42
July 3, 2006	4,022,000	\$23.61
June 30, 2006	8,400,000	\$23.54
June 29, 2006	11,613,000	\$23.47
June 28, 2006	7,839,500	\$23.11
June 27, 2006	11,040,000	\$23.01
June 26, 2006	6,300,000	\$22.81
June 23, 2006	3,570,109	\$22.75
June 22, 2006	11,700,000	\$22.99
June 21, 2006	10,312,000	\$22.98
June 20, 2006	16,000,000	\$22.65
June 19, 2006	21,425,000	\$22.40
June 16, 2006	20,250,000	\$22.00
June 15, 2006	500,000	\$21.98

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- Robert J. Bach, our President, Microsoft Entertainment & Devices Division, completed the following transactions involving our Common Stock: (i) on June 30, 2006, Mr. Bach acquired 161.495 shares at a price of \$20.97, which was 90 percent of the closing fair market value on that day, under our Stock Purchase Plan; (ii) on July 5, 2006, Mr. Bach exercised an option to purchase 100,000 shares at an exercise price of \$6.2227 per share, of which 26,737 shares valued at \$23.35, the closing fair market value on that day, were withheld in satisfaction of tax withholding requirements on the exercise of the stock option; (iii) on July 7, 2006, Mr. Bach exercised an option to purchase 81,400 shares at an exercise price of \$6.2227 per share, of which 21,747 shares valued at \$23.30, the closing fair market value on that day, were withheld in satisfaction of tax withholding requirements on the exercise of the stock option; and (iv) on July 11, 2006, Mr. Bach exercised an option to purchase 200,000 shares at an exercise price of \$6.2227 per share, of which 53,263 shares valued at \$23.10, the closing fair market value on that day, were withheld in satisfaction of tax withholding requirements on the exercise of the stock option.
- Lisa E. Brummel, our Senior Vice President, Human Resources, on June 30, 2006, acquired 280.794 shares at a price of \$20.97, which was 90 percent of the closing fair market value on that day, under our Stock Purchase Plan.
- Kevin R. Johnson, our Co-President, Microsoft Platforms & Services Division, on June 30, 2006, acquired 310.619 shares at a price of \$20.97, which was 90 percent of the closing fair market value on that day, under our Stock Purchase Plan.

Except as otherwise described herein and for the outstanding stock options, stock awards and other restricted equity interests granted to our directors, executive officers and other employees pursuant to our various Stock Option Plans, which are described in Note 14 to the financial statements contained in our Annual Report on Form 10-K for the year ended June 30, 2005, which descriptions are incorporated herein by reference, neither we nor, to the best of our knowledge, any of our affiliates, directors or executive officers, is a party to any agreement, arrangement, understanding or relationship, whether or not legally enforceable, with any other person, relating, directly or indirectly, to the Tender Offer or with respect to any of our securities, including, but not limited to, any agreement, arrangement, understanding or relationship concerning the transfer or the voting of our securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or the giving or withholding of proxies, consents or authorizations.

### **12. Effects of the Tender Offer on the Market for Shares; Registration under the Exchange Act**

The purchase by us of shares in the Tender Offer will reduce the number of shares that might otherwise be traded publicly and is likely to reduce the number of shareholders. However, we believe that there will be a sufficient number of shares outstanding and publicly traded following completion of the Tender Offer to ensure a continued trading market for the shares. Based upon published guidelines of NASDAQ, we do not believe that our purchase of shares in the Tender Offer will cause the remaining outstanding shares to be delisted from NASDAQ. The Tender Offer is conditioned upon there not being any reasonable likelihood, in our reasonable judgment, that the consummation of the Tender Offer and the purchase of shares will cause the shares to be delisted from NASDAQ. See Section 7.

The shares are currently “margin securities” under the rules of the Federal Reserve Board. This has the effect, among other things, of allowing brokers to extend credit to their customers using such shares as collateral. We believe that, following the purchase of shares in the Tender Offer, the shares will continue to be “margin securities” for purposes of the Federal Reserve Board’s margin rules and regulations.

The shares are registered under the Exchange Act, which requires, among other things, that we furnish certain information to our shareholders and the SEC and comply with the SEC’s proxy rules in connection with meetings of our shareholders. We believe that our purchase of shares in the Tender Offer pursuant to the terms of the Tender Offer will not result in the shares becoming eligible for deregistration under the Exchange Act.

### 13. Legal Matters; Regulatory Approvals

We are not aware of any license or regulatory permit that is material to our business that might be adversely affected by our acquisition of shares as contemplated by the Tender Offer or of any approval or other action by any government or governmental, administrative or regulatory authority or agency, domestic, foreign or supranational, that would be required for the acquisition of shares by us as contemplated by the Tender Offer. Should any such approval or other action be required, we presently contemplate that we will seek that approval or other action where practicable within the time period contemplated by the Tender Offer. We are unable to predict whether we will be required to delay the acceptance for payment of or payment for shares tendered in the Tender Offer pending the outcome of any such matter. There can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial cost or conditions or that the failure to obtain the approval or other action might not result in adverse consequences to our business or financial condition.

### 14. United States Federal Income Tax Consequences

The following describes material United States federal income tax consequences relevant to the Tender Offer for U.S. Holders (as defined below). This discussion is based upon the Internal Revenue Code of 1986, as amended (the “Code”) existing and proposed Treasury Regulations, administrative pronouncements and judicial decisions.

This discussion deals only with shareholders who hold their shares as capital assets. This discussion does not deal with all tax consequences that may be relevant to all categories of holders (such as dealers in securities, foreign currencies, or commodities, traders in securities that elect to mark their holdings to market, financial institutions, regulated investment companies, real estate investment trusts, holders whose functional currency is not the United States dollar, insurance companies, tax-exempt organizations, foreign persons, holders with shares received through the exercise of qualified incentive stock options, holders who may be subject to the alternative minimum tax or personal holding company provisions of the Code, or holders who hold shares as part of a hedging, integrated, conversion or constructive sale transaction or as a position in a straddle). This discussion does not address the state, local or foreign tax consequences of participating in the Tender Offer. Holders of shares should consult their tax advisors as to the particular consequences to them of participation in the Tender Offer.

As used herein, a “U.S. Holder” means a beneficial holder of shares that is for United States federal income tax purposes: (a) an individual citizen or resident of the United States, (b) a corporation, partnership, or other entity created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (c) an estate the income of which is subject to United States federal income taxation regardless of its source, or (d) a trust if either: (A) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (B) a trust has a valid election in effect to be treated as a United States person under applicable treasury regulations. The term also includes nonresident alien individuals, foreign corporations, foreign partnerships, and foreign estates and trusts (“foreign shareholders”) to the extent that their ownership of the shares is effectively connected with the conduct of a trade or business within the United States, as well as certain former citizens and residents of the United States who, under certain circumstances, are taxed on income from U.S. sources as if they were citizens or residents. It should also be noted that certain “single member entities” are disregarded for U.S. federal income tax purposes. Such foreign shareholders that are single member non-corporate entities, should consult with their own tax advisors to determine the U.S. federal, state, local, and other tax consequences that may be relevant to them.

**FOREIGN SHAREHOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES AND ANY APPLICABLE FOREIGN TAX CONSEQUENCES OF THE TENDER OFFER AND ALSO SHOULD SEE SECTION 3 FOR A DISCUSSION OF APPLICABLE UNITED STATES WITHHOLDING RULES AND THE POTENTIAL FOR OBTAINING A REFUND OF ALL OR A PORTION OF ANY TAX WITHHELD.**

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If a limited liability company or partnership holds shares, the tax treatment of a member or partner will generally depend upon the status of such person and the activities of the limited liability company or partnership. A U.S. Holder that is a limited liability company or partnership should consult its own tax advisors regarding the treatment of its members or partners.

*Non-Participation in the Tender Offer.* U.S. Holders that do not participate in the Tender Offer will not incur any tax liability as a result of the consummation of the Tender Offer.

*Exchange of Shares Pursuant to the Tender Offer.* An exchange of shares for cash pursuant to the Tender Offer will be a taxable transaction for United States federal income tax purposes. A U.S. Holder that participates in the Tender Offer will be treated, depending on such U.S. Holder's particular circumstances, either as recognizing gain or loss from the disposition of the shares or as receiving a dividend distribution from the Company.

*Sale or Exchange Treatment.* Under Section 302 of the Code, a U.S. Holder whose shares are exchanged in the Tender Offer will be treated as having sold such U.S. Holder's shares, and thus will recognize capital gain or loss if the exchange (a) results in a "complete termination" of all such U.S. Holder's equity interest in the Company, (b) results in a "substantially disproportionate" redemption with respect to such U.S. Holder, or (c) is "not essentially equivalent to a dividend" to the U.S. Holder. In applying the Section 302 tests, a U.S. Holder must take into account stock that such U.S. Holder constructively owns under attribution rules, pursuant to which the U.S. Holder will be treated as owning Company shares owned by certain family members (except that in the case of a "complete termination" a U.S. Holder may waive, under certain circumstances, attribution from family members) and related entities and Company stock that the U.S. Holder has the right to acquire by exercise of an option.

An exchange results in a "complete termination" of a U.S. Holder's equity interest in the Company if all of the shares that are owned or deemed owned by the U.S. Holder are exchanged in the Tender Offer.

An exchange of shares for cash will be a "substantially disproportionate" redemption with respect to a U.S. Holder if (i) the percentage of the then-outstanding voting shares owned or deemed owned by such U.S. Holder in the Company immediately after the exchange is less than 80% of the percentage of shares owned or deemed owned by such U.S. Holder in the Company immediately before the exchange.

If an exchange of shares for cash in the Tender Offer does not qualify as a "complete termination" of the U.S. Holder's interest in the Company and also fails to satisfy the "substantially disproportionate" test, the U.S. Holder nonetheless may satisfy the "not essentially equivalent to a dividend" test. An exchange of shares for cash will satisfy the "not essentially equivalent to a dividend" test if it results in a "meaningful reduction" of the U.S. Holder's equity interest in the Company. The Internal Revenue Service (the "IRS") has indicated in a published revenue ruling that an exchange of shares for cash that results in a reduction of the proportionate equity interest in the Company of a U.S. Holder whose relative equity interest in the Company is minimal (an interest of less than one percent should satisfy this requirement) and that does not exercise any control over or participate in the management of the Company's corporate affairs should be treated as "not essentially equivalent to a dividend." A U.S. Holder should consult its tax advisor regarding the application of the rules of Section 302 in such U.S. Holder's particular circumstances.

If a U.S. Holder is treated as recognizing gain or loss from the disposition of such U.S. Holder's shares for cash, such gain or loss will be equal to the difference between the amount of cash received and such U.S. Holder's adjusted tax basis in the shares exchanged therefor. Any such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder has held the shares for more than one year as of the date of the exchange. Specific limitations may apply to the deductibility of capital losses by U.S. Holders.

*Dividend Treatment.* If a U.S. Holder does not meet the requirements of Section 302 of the Code, the exchange of the U.S. Holder's shares by the Company in the Tender Offer will not be treated as a sale or

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exchange under Section 302 of the Code with respect to the U.S. Holder. Instead, the cash received by such U.S. Holder pursuant to the exchange will be treated as a dividend to the extent of the portion of the Company's current and accumulated earnings and profits allocable to such shares. To the extent that amounts received pursuant to the Tender Offer exceed a U.S. Holder's allocable share of the Company's current and accumulated earnings and profits, the distribution will first be treated as a non-taxable return of capital, causing a reduction in the adjusted tax basis of such U.S. Holder's shares, and any amounts in excess of the U.S. Holder's adjusted tax basis will constitute capital gain. Any remaining adjusted tax basis in the shares tendered will be transferred to any remaining shares held by such U.S. Holder. The amount of the current and accumulated earnings and profits of the Company has not been established.

Provided certain holding period requirements are satisfied, non-corporate holders generally will be subject to United States federal income tax at a maximum rate of 15% on amounts treated as dividends, i.e., the entire amount of cash received without reduction for the tax basis of the shares exchanged.

To the extent that cash received in exchange for shares is treated as a dividend to a corporate U.S. Holder, (i) it will be eligible for a dividends-received deduction (subject to applicable limitations) to the extent of the earnings and profits of the Company and (ii) it will be subject to the "extraordinary dividend" provisions of Section 1059 of the Code. Corporate U.S. Holders should consult their tax advisors concerning the availability of the dividends-received deduction and the application of the "extraordinary dividend" provisions of the Code in their particular circumstances.

We cannot predict whether or the extent to which the Tender Offer will be oversubscribed. If the Tender Offer is oversubscribed, proration of tenders pursuant to the Tender Offer will cause the Company to accept fewer shares than are tendered. Therefore, a U.S. Holder can be given no assurance that a sufficient number of such U.S. Holder's shares will be purchased pursuant to the Tender Offer to ensure that such purchase will be treated as a sale or exchange, rather than as a dividend, for United States federal income tax purposes pursuant to the rules discussed above.

See Section 3 with respect to the application of United States federal income tax withholding and backup withholding.

THE FEDERAL TAX DISCUSSION SET FORTH ABOVE MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF THE TENDER OFFER UNDER APPLICABLE FEDERAL, STATE OR LOCAL LAWS. FOREIGN SHAREHOLDERS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO HOLDERS WHO ARE NOT U.S. PERSONS.

### **15. Extension of the Tender Offer; Termination; Amendment**

We expressly reserve the right, in our sole discretion, at any time and from time to time, and regardless of whether or not any of the events set forth in Section 7 shall have occurred or shall be deemed by us to have occurred, to extend the period of time during which the Tender Offer is open and thereby delay acceptance for payment of, and payment for, any shares by giving oral or written notice of such extension to the Depository and making a public announcement of such extension. We also expressly reserve the right, in our sole discretion, to terminate the Tender Offer if any of the conditions set forth in Section 7 have occurred and to reject for payment and not pay for any shares not theretofore accepted for payment or paid for or, subject to applicable law, to postpone payment for shares by giving oral or written notice of such termination or postponement to the Depository and making a public announcement of such termination or postponement. Our reservation of the right to delay payment for shares which we have accepted for payment is limited by Rule 13e-4(f)(5) promulgated under the Exchange Act, which requires that we must pay the consideration offered or return the shares tendered promptly after termination or withdrawal of a tender offer. Subject to compliance with applicable law, we further reserve the right, in our sole discretion, and regardless of whether any of the events set forth in Section 7 shall

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have occurred or shall be deemed by us to have occurred, to amend the Tender Offer in any respect, including, without limitation, by decreasing or increasing the consideration offered in the Tender Offer to holders of shares or by decreasing or increasing the number of shares being sought in the Tender Offer. Amendments to the Tender Offer may be made at any time and from time to time effected by public announcement, such announcement, in the case of an extension, to be issued no later than 9:00 a.m., Eastern Time, on the next business day after the last previously scheduled or announced Expiration Time. Any public announcement made in the Tender Offer will be disseminated promptly to shareholders in a manner reasonably designed to inform shareholders of such change. Without limiting the manner in which we may choose to make a public announcement, except as required by applicable law, we shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release through PR Newswire or another comparable service. In addition, we would file such press release as an exhibit to the Schedule TO.

If we materially change the terms of the Tender Offer or the information concerning the Tender Offer, we will extend the Tender Offer to the extent required by Rules 13e-4(e)(3) and 13e-4(f)(1) promulgated under the Exchange Act. These rules and certain related releases and interpretations of the SEC provide that the minimum period during which a tender offer must remain open following material changes in the terms of the Tender Offer or information concerning the Tender Offer (other than a change in price or a change in percentage of securities sought) will depend on the facts and circumstances, including the relative materiality of such terms or information; however, in no event will the Tender Offer remain open for fewer than five business days following such a material change in the terms of, or information concerning, the Tender Offer. If (1)(i) we increase or decrease the price to be paid for shares beyond the range, (ii) decrease the number of shares being sought in the Tender Offer, or (iii) increase the number of shares being sought in the Tender Offer by more than 2% of our outstanding shares and (2) the Tender Offer is scheduled to expire at any time earlier than the expiration of a period ending on the tenth business day from, and including, the date that such notice of an increase or decrease is first published, sent or given to shareholders in the manner specified in this Section 15, the Tender Offer will be extended until the expiration of such ten business day period.

### **16. Fees and Expenses**

We have retained Goldman, Sachs & Co. and Deutsche Bank Securities Inc. to act as the Dealer Managers in connection with the Tender Offer. In their role as Dealer Managers, Goldman, Sachs & Co. and Deutsche Bank Securities Inc. may contact brokers, dealers and similar entities and may provide information regarding the Tender Offer to those that they contact or persons that contact them. Goldman, Sachs & Co. and Deutsche Bank Securities Inc. will receive reasonable and customary amounts of compensation and will be reimbursed for reasonable out-of-pocket expenses incurred in connection with the Tender Offer, including reasonable fees and expenses of counsel. We will indemnify Goldman, Sachs & Co. and Deutsche Bank Securities Inc. against certain liabilities in connection with the Tender Offer, including certain liabilities under the federal securities laws.

Goldman, Sachs & Co. and Deutsche Bank Securities Inc., and their respective affiliates, have provided, and may in the future provide, various investment banking and other services to us for which future services we would expect they would receive customary compensation from us. In the ordinary course of business, including in their trading and brokerage operations and in a fiduciary capacity, Goldman, Sachs & Co. and Deutsche Bank Securities Inc. and their respective affiliates may hold positions, both long and short, for their own accounts and for those of their customers, in our securities.

We have retained Georgeson Inc. to act as Information Agent and Mellon Investor Services LLC to act as Depositary in connection with the Tender Offer. Georgeson Inc. may contact holders of shares by mail, facsimile and personal interviews and may request brokers, dealers and other nominee shareholders to forward materials relating to the Tender Offer to beneficial owners. Georgeson Inc. and Mellon Investor Services LLC will each receive reasonable and customary amounts of compensation for their respective services, will be reimbursed by us for reasonable out-of-pocket expenses and will be indemnified against certain liabilities in connection with the Tender Offer, including certain liabilities under the federal securities laws.

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We will not pay any fees or commissions to brokers, dealers or other persons (other than fees to the Dealer Managers and the Information Agent as described above) for soliciting tenders of shares in the Tender Offer. Shareholders holding shares through brokers or banks are urged to consult the brokers or banks to determine whether transaction costs may apply if shareholders tender shares through the brokers or banks and not directly to the Depositary. We will, however, upon request, reimburse brokers, dealers and commercial banks for customary mailing and handling expenses incurred by them in forwarding the Tender Offer and related materials to the beneficial owners of shares held by them as a nominee or in a fiduciary capacity. No broker, dealer, commercial bank or trust company has been authorized to act as our agent or the agent of the Dealer Managers, the Information Agent or the Depositary for purposes of the Tender Offer. We will pay or cause to be paid all stock transfer taxes, if any, on our purchase of shares, except as otherwise described in Section 5.

### **17. Miscellaneous**

Pursuant to Rule 13e-4(c)(2) under the Exchange Act, we have filed with the SEC an Issuer Tender Offer Statement on Schedule TO, which contains additional information with respect to the Tender Offer. The Schedule TO, including the exhibits and any amendments and supplements thereto, may be examined, and copies may be obtained, at the same places and in the same manner as is set forth in Section 10 with respect to information concerning us.

Our Board of Directors has authorized an ongoing share repurchase program for the purchase of up to an additional \$20 billion of shares. We expect this repurchase program to be completed no later than June 30, 2011. However, Rule 13e-4(f) under the Exchange Act prohibits us from purchasing any shares, other than in the Tender Offer until at least 10 business days after the Expiration Time. Accordingly, any additional purchases outside the Tender Offer may not be consummated until at least 10 business days after the Expiration Time.

This Offer to Purchase and the Letter of Transmittal do not constitute an offer to purchase securities in any jurisdiction in which such offer is not permitted or would not be permitted. If we become aware of any jurisdiction where the making of the Tender Offer or the acceptance of shares pursuant thereto is not in compliance with applicable law, we will make a good faith effort to comply with the applicable law where practicable. If, after such good faith effort, we cannot comply with the applicable law, the Tender Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of shares in such jurisdiction.

**You should only rely on the information contained in this Offer to Purchase or to which we have referred to you. We have not authorized any person to make any recommendation on behalf of us as to whether you should tender or refrain from tendering your shares in the Tender Offer. We have not authorized any person to give any information or to make any representation in connection with the Tender Offer other than those contained in this Offer to Purchase or in the Letter of Transmittal. If anyone makes any recommendation, gives you any information or makes any representation, you must not rely upon that recommendation, information or representation as having been authorized by us, the Dealer Managers, the Depositary or the Information Agent.**

Microsoft Corporation

July 21, 2006

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The Letter of Transmittal, certificates for shares and any other required documents should be sent or delivered by each shareholder of the Company or his or her bank, broker, dealer, trust company or other nominee to the Depository as follows:

*The Depository for the Tender Offer is:*

**Mellon Investor Services LLC**

*By Mail:*

Mellon Investor Services LLC  
Attn: Reorganization Dept.  
P.O. Box 3302  
South Hackensack, NJ 07606

*By Overnight Courier:*

Mellon Investor Services LLC  
Attn: Reorganization Dept.  
480 Washington Boulevard  
Mail Drop-Reorg  
Jersey City, NJ 07310

*By Hand:*

Mellon Investor Services LLC  
Attn: Reorganization Dept.  
120 Broadway, 13th Floor  
New York, NY 10271

**Delivery of the Letter of Transmittal to an address other than as set forth above will not constitute a valid delivery to the Depository.**

Questions and requests for assistance may be directed to the Information Agent or to the Dealer Managers at their respective addresses and telephone numbers set forth below. Requests for additional copies of this Offer to Purchase, the Letter of Transmittal or the Notice of Guaranteed Delivery should be directed to the Information Agent.

*The Information Agent for the Tender Offer is:*

**Georgeson**

**17 State Street**

**10th Floor**

**New York, New York 10004**

**Banks and Brokerage Firms Call: (212) 440-9800**

**U.S. and Canada Call Toll-Free: (866) 482-5026**

**All Other Countries: +44 (0) 207-019-7137**

*The Dealer Managers for the Tender Offer are:*

**Goldman, Sachs & Co.**

85 Broad Street  
New York, New York 10004  
Call: (212) 902-1697  
Call Toll-Free: (800) 471-7731

**Deutsche Bank Securities**

60 Wall Street  
New York, New York 10005  
Call: (212) 250-7421  
Call Toll-Free: (877) 221-7676

**LETTER OF TRANSMITTAL- MICROSOFT CORPORATION**

THE OFFER TO PURCHASE AND THIS LETTER OF TRANSMITTAL, INCLUDING THE ACCOMPANYING INSTRUCTIONS, SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

Microsoft Corporation (the "Company") is offering to purchase up to 808,080,808 shares of its common stock in a tender offer, subject to the terms and conditions set forth in the Offer to Purchase, dated July 21, 2006. The offer is being made to all holders of the Company's common stock at a price not less than \$22.50 nor greater than \$24.75 per share. This Letter of Transmittal is to be completed only if: (a) certificates for shares are being forwarded herewith or (b) a tender of book entry shares is being made to the account maintained by Mellon Investor Services LLC, as Depository, pursuant to Section 3 of the Offer to Purchase and related agent's message is not being delivered.

I/We, the undersigned, hereby tender to the Company the share(s) identified below. I/We certify that I/we have complied with all requirements as stated in the instructions on the reverse side, is/are the registered holder(s) of the shares of the Company's stock represented by the enclosed certificates, have full authority to surrender these certificate(s), and give the instructions in this Letter of Transmittal and warrant that the shares represented by these certificates are free and clear of all liens, restrictions, adverse claims and encumbrances. I/We make the representation and warranties to the Company set forth in Section 3 of the Offer to Purchase and understand that the tender of shares made hereby constitutes an acceptance of the terms and conditions of the offer (including if the offer is extended or amended, the terms and conditions of such extension or amendment).

Please complete the back if you would like to transfer ownership of unaccepted shares or request special mailing.

<input checked="" type="checkbox"/> <b>Signature:</b> This form <b>must</b> be signed by the registered holder(s) exactly as their name(s) appears above or by person(s) authorized to sign on behalf of the registered holder(s) by documents transmitted herewith.		
<b>X</b>  Signature of Shareholder	  Date	  Daytime Telephone #
<b>X</b>  Signature of Shareholder	  Date	  Daytime Telephone #

**OFFER TO PURCHASE FOR CASH  
UP TO 808,080,808 SHARES OF ITS COMMON STOCK**

<input type="checkbox"/> <b>SUBSTITUTE FORM W-9</b>										
<b>PLEASE CERTIFY YOUR TAXPAYER ID OR SOCIAL SECURITY NUMBER BY SIGNING BELOW.</b>										
<p>If the Taxpayer ID Number or Social Security Number printed above is <b>INCORRECT</b> OR if the space is <b>BLANK</b> write in the <b>CORRECT</b> number here. <span style="float:right;">® <table border="1" style="display:inline-table; border-collapse: collapse;"><tr><td style="width:20px; height:20px;"></td><td style="width:20px; height:20px;"></td><td style="width:20px; height:20px;"></td><td style="width:20px; height:20px;"></td><td style="width:20px; height:20px;"></td><td style="width:20px; height:20px;"></td><td style="width:20px; height:20px;"></td><td style="width:20px; height:20px;"></td><td style="width:20px; height:20px;"></td><td style="width:20px; height:20px;"></td></tr></table></span></p> <p>Under penalties of perjury, I certify that:</p> <ol style="list-style-type: none"> <li>1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), <b>and</b></li> <li>2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, <b>and</b></li> <li>3. I am a U.S. person (including a U.S. resident alien).</li> </ol> <p><b>Certification instructions.</b> You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest or dividends on your tax return.</p> <p>Signature: _____ Date: _____</p>										

<input checked="" type="checkbox"/> <b>Number of shares you own:</b>	
Certificate Number(s)	Book Entry
<input type="checkbox"/> <b>Number of shares you are tendering:</b>	
Certificate Number(s)	Book Entry

**I/We understand that the tender of shares constitutes a representation and warranty to the Company that the undersigned has a NET LONG POSITION in shares of the Company's common stock or other securities exercisable or exchangeable therefore and that such tender complies with Rule 14e-4 promulgated under the Securities Exchange Act of 1934, as amended. I/We authorize the Company to withhold all applicable taxes and tax-related items legally payable by the undersigned.**

Indicate below the order (by certificate number) in which shares are to be purchased in the event of proration. If you do not designate an order, if less than all shares tendered are purchased due to proration, shares will be selected for purchase by the Depository.

1st \_\_\_\_\_ 2nd \_\_\_\_\_ 3rd \_\_\_\_\_ 4th \_\_\_\_\_ 5th \_\_\_\_\_

**Shares Tendered at Price Determined by Shareholder (See Instruction 5):**

By checking one of the following boxes below INSTEAD OF THE BOX UNDER "Shares Tendered At Price Determined in the Tender Offer," the undersigned hereby tenders shares at the price checked. This action could result in none of the shares being purchased if the purchase price determined in the Tender Offer is less than the price checked below. **IF YOU DESIRE TO TENDER SHARES AT MORE THAN ONE PRICE YOU MUST COMPLETE A SEPARATE LETTER OF TRANSMITTAL FOR EACH PRICE AT WHICH SHARES ARE TENDERED.**

**PRICE (IN DOLLARS) PER SHARE AT WHICH SHARES ARE BEING TENDERED  
CHECK ONLY ONE BOX**

<input type="checkbox"/> Price \$22.50	<input type="checkbox"/> Price \$23.00	<input type="checkbox"/> Price \$23.50	<input type="checkbox"/> Price \$24.00	<input type="checkbox"/> Price \$24.50
<input type="checkbox"/> Price \$22.60	<input type="checkbox"/> Price \$23.10	<input type="checkbox"/> Price \$23.60	<input type="checkbox"/> Price \$24.10	<input type="checkbox"/> Price \$24.60
<input type="checkbox"/> Price \$22.70	<input type="checkbox"/> Price \$23.20	<input type="checkbox"/> Price \$23.70	<input type="checkbox"/> Price \$24.20	<input type="checkbox"/> Price \$24.70
<input type="checkbox"/> Price \$22.80	<input type="checkbox"/> Price \$23.30	<input type="checkbox"/> Price \$23.80	<input type="checkbox"/> Price \$24.30	<input type="checkbox"/> Price \$24.75
<input type="checkbox"/> Price \$22.90	<input type="checkbox"/> Price \$23.40	<input type="checkbox"/> Price \$23.90	<input type="checkbox"/> Price \$24.40	

**OR**

**Shares Tendered at Price Determined in the Tender Offer (See Instruction 5):**

By checking this box INSTEAD OF ONE OF THE BOXES UNDER "Shares Tendered at Price Determined by Shareholder," the undersigned hereby tenders shares at the purchase price, as the same shall be determined in accordance with the terms of the Tender Offer. For purposes of determining the purchase price, those shares that are tendered by the undersigned agreeing to accept the purchase price determined in the Tender Offer will be deemed to be tendered at the minimum price. The undersigned wants to maximize the chance of having the Company purchase all of the shares the undersigned is tendering (subject to the possibility of proration). Accordingly, by checking this box instead of one of the price boxes above, the undersigned hereby tenders shares at, and is willing to accept, the purchase price determined in accordance with the terms of the Tender Offer. **THIS ELECTION MAY LOWER THE PURCHASE PRICE AND COULD RESULT IN THE TENDERED SHARES BEING PURCHASED AT THE MINIMUM PRICE OF \$22.50 PER SHARE.**

**CHECK ONLY ONE BOX ABOVE. IF MORE THAN ONE BOX IS CHECKED ABOVE, OR IF NO BOX IS CHECKED, THERE IS NO VALID TENDER OF SHARES.**

**ODD LOTS**

As described in Section 1 of the Offer to Purchase, under certain conditions, holders holding fewer than 100 shares may have their shares accepted for payment before any proration of the purchase of other tendered shares. This preference is not available to partial tenders or to beneficial or record holders of an aggregate of 100 or more shares. Accordingly, this section is to be completed only if shares are being tendered by or on behalf of a person owning, beneficially or of record, fewer than 100 shares in the aggregate. The undersigned either (check one box):

is the beneficial or record owner of an aggregate of fewer than 100 shares, all of which are being tendered; or  
 is a broker, dealer, commercial bank, trust company, or other nominee that (a) is tendering for the beneficial owner(s), shares with respect to which it is the record holder, and (b) believes, based upon representations made to it by the beneficial owner(s), that each such person is the beneficial owner of an aggregate of fewer than 100 shares and is tendering all of the shares.

In addition, the undersigned is tendering either (check one box):

at the purchase price, as the same will be determined by the Company in accordance with the terms of the Tender Offer (persons checking this box need not indicate the price per share above); or  
 at the price per share indicated above in the section captioned "Price (In Dollars) per Share at Which Shares Are Being Tendered."

**CONDITIONAL TENDER**

A tendering shareholder may condition such shareholder's tender of shares upon the Company purchasing a specified minimum number of the shares tendered, as described in Section 6 of the Offer to Purchase. Unless at least the minimum number of shares you indicate below is purchased by the Company pursuant to the terms of the Tender Offer, none of the shares tendered by you will be purchased. Unless this box has been checked and a minimum specified, your tender will be deemed unconditional.

The minimum number of shares that must be purchased from me, if any are purchased from me, is: \_\_\_\_\_ shares.

If, because of proration, the minimum number of shares designated will not be purchased, the Company may accept conditional tenders by random lot, if necessary. However, to be eligible for purchase by random lot, the tendering shareholder must have tendered all of such shareholder's shares and checked the box on the next line:

The tendered shares represent all shares held by the undersigned.

**HOW TO CONTACT THE INFORMATION AGENT FOR THE OFFER**

**Georgeson Inc.**  
17 State Street  
10th Floor  
New York, New York 10004

**Banks and Brokerage Firms call : (212) 440-9800**  
**Shareholders call:**  
**U.S. and Canada Toll-Free: (866) 482-5026**  
**All Other Countries: +44 (0) 207-019-7137**

**WHERE TO FORWARD YOUR TRANSMITTAL MATERIALS**

**By Mail:**  
Mellon Investor Services LLC  
Attn: Reorganization Dept.  
P.O. Box 3302  
South Hackensack, NJ 07606

**By Overnight Courier:**  
Mellon Investor Services LLC  
Attn: Reorganization Dept.  
480 Washington Boulevard  
Mail Drop-Reorg  
Jersey City, NJ 07310

**By Hand:**  
Mellon Investor Services LLC  
Attn: Reorganization Dept.  
120 Broadway, 13th Floor  
New York, NY 10271

Delivery of this Letter of Transmittal to an address other than as set forth above will not constitute a valid delivery.

**The Tender Offer, proration period and withdrawal rights will expire at 12:00 midnight, Eastern Time, on August 17, 2006, unless the Tender Offer is extended**



hereby, or if payment is to be made or certificate(s) for shares not tendered or not purchased are to be issued to a person other than the registered owner(s), the certificate(s) representing such shares must be properly endorsed for transfer or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered owner(s) appear(s) on the certificates(s). The signature(s) on any such certificate(s) or stock power(s) must be guaranteed by an eligible institution.

13. If the space provided in Boxes 3 and 4 above is inadequate, the certificate numbers and/or the number of shares should be listed on a separated signed schedule attached hereto.
14. **Partial Tenders (Not Applicable to Shareholders Who Tender by Book-Entry Transfer).** If fewer than all the shares represented by any certificate submitted to the Depository are to be tendered, fill in the number of shares that are to be tendered in Box 4. In that case, if any tendered shares are purchased, new certificate(s) for the remainder of the shares that were evidenced by the old certificate(s) will be sent to the registered holder(s), unless otherwise provided in the appropriate box on this Letter of Transmittal, as soon as practicable after the acceptance for payment of, and payment for, the shares tendered herewith. All shares represented by certificates delivered to the Depository will be deemed to have been tendered unless otherwise indicated.

**Notice of Guaranteed Delivery**  
**(Not to be used for Signature Guarantee)**  
**for**  
**Tender of Shares of Common Stock**  
**of**  
**MICROSOFT CORPORATION**

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**THE TENDER OFFER, PRORATION PERIOD, AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00  
MIDNIGHT, EASTERN TIME, ON AUGUST 17, 2006, UNLESS THE TENDER OFFER IS EXTENDED.**

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As set forth in Section 3 of the Offer to Purchase (as defined below) this form must be used to accept the Tender Offer (as defined below) if (1) certificates for your shares of Common Stock, \$0.00000625 par value per share (the "Common Stock"), are not immediately available, (2) the procedures for book-entry transfer cannot be completed on a timely basis, or (3) time will not permit all required documents to reach the Depository prior to the Expiration Time (as defined in Section 1 of the Offer to Purchase). This form may be delivered by hand or transmitted by facsimile transmission or mail to the Depository. See Section 3 of the Offer to Purchase. Unless the context otherwise requires, all references to the "shares" shall refer to the Common Stock of the Company (as defined below).

*The Depository for the Tender Offer is:*

Mellon Investor Services LLC

*By Mail:*  
Mellon Investor Services LLC  
Attn: Reorganization Dept.  
P. O. Box 3302  
South Hackensack, NJ 07606

*By Facsimile Transmission:*  
For Eligible Institutions Only:  
(201) 680-4626  
For Confirmation Only Telephone:  
(201) 680-4860

*By Overnight Courier:*  
Mellon Investor Services LLC  
Attn: Reorganization Dept.  
480 Washington Boulevard  
Mail Drop-Reorg  
Jersey City, NJ 07310

**Delivery of this Notice of Guaranteed Delivery to an address, or transmission of instructions via a facsimile number, other than as set forth above will not constitute a valid delivery. For this Notice to be validly delivered, it must be received by the Depository at one of the above addresses before the expiration of the Tender Offer. Deliveries to Microsoft Corporation, the Dealer Managers, the Information Agent or the book-entry transfer facility (as defined in Section 3 of the Offer to Purchase) will not be forwarded to the Depository and will not constitute a valid delivery.**

**This Notice is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an eligible institution under the instructions in the Letter of Transmittal, the signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.**

Ladies and Gentlemen:

The undersigned hereby tenders to Microsoft Corporation, a Washington corporation (the "Company"), at the price per share indicated in this Notice of Guaranteed Delivery, on the terms and subject to the conditions set forth in the Offer to Purchase dated July 21, 2006 (the "Offer to Purchase"), and the Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Tender Offer"), receipt of which is hereby acknowledged, the number of shares set forth below, all pursuant to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase. Unless the context otherwise requires, all references to the "shares" shall refer to the Common Stock of the Company.

Number of shares to be tendered: \_\_\_\_\_ shares

**THE UNDERSIGNED IS TENDERING SHARES AS FOLLOWS (CHECK ONLY ONE BOX):**

**(1) SHARES TENDERED AT PRICE DETERMINED BY SHAREHOLDER (SEE INSTRUCTION 5 OF THE LETTER OF TRANSMITTAL)**

By checking ONE of the following boxes below INSTEAD OF THE BOX UNDER "Shares Tendered at Price Determined in the Tender Offer," the undersigned hereby tenders shares at the price checked. This action could result in none of the shares being purchased if the purchase price determined by the Company for the shares is less than the price checked below. **A SHAREHOLDER WHO DESIRES TO TENDER SHARES AT MORE THAN ONE PRICE MUST COMPLETE A SEPARATE NOTICE OF GUARANTEED DELIVERY AND/OR LETTER OF TRANSMITTAL FOR EACH PRICE AT WHICH SHARES ARE TENDERED.**

**PRICE (IN DOLLARS) PER SHARE AT WHICH SHARES ARE BEING TENDERED**

<input type="checkbox"/> \$22.50	<input type="checkbox"/> \$23.10	<input type="checkbox"/> \$23.70	<input type="checkbox"/> \$24.30
<input type="checkbox"/> \$22.60	<input type="checkbox"/> \$23.20	<input type="checkbox"/> \$23.80	<input type="checkbox"/> \$24.40
<input type="checkbox"/> \$22.70	<input type="checkbox"/> \$23.30	<input type="checkbox"/> \$23.90	<input type="checkbox"/> \$24.50
<input type="checkbox"/> \$22.80	<input type="checkbox"/> \$23.40	<input type="checkbox"/> \$24.00	<input type="checkbox"/> \$24.60
<input type="checkbox"/> \$22.90	<input type="checkbox"/> \$23.50	<input type="checkbox"/> \$24.10	<input type="checkbox"/> \$24.70
<input type="checkbox"/> \$23.00	<input type="checkbox"/> \$23.60	<input type="checkbox"/> \$24.20	<input type="checkbox"/> \$24.75

**OR**

**(2) SHARES TENDERED AT PRICE DETERMINED IN THE TENDER OFFER (SEE INSTRUCTION 5 OF THE LETTER OF TRANSMITTAL)**

By checking the box below INSTEAD OF ONE OF THE BOXES UNDER "Shares Tendered at Price Determined by Shareholder," the undersigned hereby tenders shares at the purchase price, as the same shall be determined by the Company in accordance with the terms of the Tender Offer. For purposes of determining the purchase price, those shares that are tendered by the undersigned agreeing to accept the purchase price determined in the Tender Offer will be deemed to be tendered at the minimum price.

The undersigned wants to maximize the chance of having the Company purchase all of the shares the undersigned is tendering (subject to the possibility of proration). Accordingly, by checking this box instead of one of the price boxes above, the undersigned hereby tenders shares at, and is willing to accept, the purchase price determined by the Company in accordance with the terms of the Tender Offer. **THIS ACTION COULD LOWER THE PURCHASE PRICE AND COULD RESULT IN RECEIVING THE MINIMUM PRICE OF \$22.50 PER SHARE.**

**CHECK ONLY ONE BOX ABOVE. IF MORE THAN ONE BOX IS CHECKED ABOVE, OR IF NO BOX IS CHECKED, THERE IS NO VALID TENDER OF SHARES.**

**ODD LOTS**  
**(See Instruction 6 of the Letter of Transmittal)**

To be completed only if shares are being tendered by or on behalf of a person owning, beneficially or of record, an aggregate of fewer than 100 shares. The undersigned either (check one box):

is the beneficial or record owner of fewer than 100 shares in the aggregate, all of which are being tendered; or

is a broker, dealer, commercial bank, trust company, or other nominee that (a) is tendering for the beneficial owner(s), shares with respect to which it is the record holder, and (b) believes, based upon representations made to it by the beneficial owner(s), that each such person is the beneficial owner of fewer than 100 shares in the aggregate and is tendering all of the shares.

In addition, the undersigned is tendering shares either (check one box):

at the price per share indicated above in the section captioned "Price (In Dollars) per Share at Which Shares Are Being Tendered"; or

at the purchase price, as the same will be determined by the Company in accordance with the terms of the Tender Offer (persons checking this box need not indicate the price per share above).

**CONDITIONAL TENDER**  
**(See Instruction 6 of the Letter of Transmittal)**

A tendering shareholder may condition such shareholder's tender of shares upon the Company purchasing a specified minimum number of the shares tendered, all as described in Section 6 of the Offer to Purchase. Unless at least the minimum number of shares you indicate below is purchased by the Company pursuant to the terms of the Tender Offer, none of the shares tendered by you will be purchased. **It is the tendering shareholder's responsibility to calculate the minimum number of shares that must be purchased if any are purchased, and each shareholder is urged to consult his or her own tax advisor before completing this section.** Unless this box has been checked and a minimum specified, your tender will be deemed unconditional.

The minimum number of shares that must be purchased from me, if any are purchased from me, is: \_\_\_\_\_ shares.

If, because of proration, the minimum number of shares designated will not be purchased, the Company may accept conditional tenders by random lot, if necessary. However, to be eligible for purchase by random lot, the tendering shareholder must have tendered all of such shareholder's shares and checked this box:

The tendered shares represent all shares held by the undersigned.

Certificate Nos. (if available): \_\_\_\_\_

Name(s) of Record Holder(s): \_\_\_\_\_

\_\_\_\_\_

(Please Type or Print)

Address(es): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Zip Code: \_\_\_\_\_

Daytime Area Code and Telephone Number: \_\_\_\_\_

Signature(s): \_\_\_\_\_

Dated: \_\_\_\_\_

If shares will be tendered by book-entry transfer, check this box  and provide the following information:

Name of Tendering Institution: \_\_\_\_\_

Account Number at Book-Entry Transfer Facility: \_\_\_\_\_

**THE GUARANTEE SET FORTH BELOW MUST BE COMPLETED.**

**GUARANTEE (Not To Be Used For Signature Guarantee)**

The undersigned, a firm that is a member in good standing of a recognized Medallion Program approved by the Securities Transfer Association, Inc., including the Securities Transfer Agents Medallion Program, the New York Stock Exchange, Inc. Medallion Signature Program or the Stock Exchange Medallion Program, or is otherwise an "eligible guarantor institution," as that term is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), hereby guarantees (1) that the above named person(s) "own(s)" the shares tendered hereby within the meaning of Rule 14e-4 under the Exchange Act, (2) that such tender of shares complies with Rule 14e-4 under the Exchange Act and (3) to deliver to the Depository either the certificates representing the shares tendered hereby, in proper form for transfer, or a book-entry confirmation (as defined in the Offer to Purchase) with respect to such shares, in any such case together with a properly completed and duly executed Letter of Transmittal (or a facsimile thereof), with any required signature guarantees, or an agent's message (as defined in the Offer to Purchase) in the case of a book-entry transfer, and any other required documents, within three trading days after the date hereof.

The eligible institution that completes this form must communicate the guarantee to the Depository and must deliver the Letter of Transmittal and certificates for shares to the Depository within the time period shown herein. Failure to do so could result in financial loss to such eligible institution.

Name of Firm: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

Name: \_\_\_\_\_  
(Please Type or Print)

Title: \_\_\_\_\_

Address: \_\_\_\_\_

Zip Code: \_\_\_\_\_

Area Code and Telephone Number: \_\_\_\_\_

Dated: \_\_\_\_\_

**Note: Do not send certificates for shares with this Notice.  
Certificates for shares should be sent with your Letter of Transmittal.**

**Offer to Purchase for Cash**  
by  
**MICROSOFT CORPORATION**

of  
**Up to 808,080,808 Shares of its Common Stock**

**at a Purchase Price Not Greater Than \$24.75 nor Less Than \$22.50 Per Share**

**THE TENDER OFFER, PRORATION PERIOD, AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00  
MIDNIGHT, EASTERN TIME, ON AUGUST 17, 2006 UNLESS THE TENDER OFFER IS EXTENDED.**

July 21, 2006

To Brokers, Dealers, Commercial Banks,  
Trust Companies and Other Nominees:

Enclosed for your consideration is an Offer to Purchase dated July 21, 2006 (the "Offer to Purchase") relating to an offer by Microsoft Corporation, a Washington corporation (the "Company"), to purchase for cash up to 808,080,808 shares of its Common Stock, \$0.00000625 par value per share (the "Common Stock"), at a price not greater than \$24.75 nor less than \$22.50 per share, net to the seller in cash, less any applicable withholding taxes and without interest, upon the terms and subject to the conditions described in the Offer to Purchase and the Letter of Transmittal (the "Letter of Transmittal") (which together, as they may be amended and supplemented from time to time, constitute the "Tender Offer"). Please furnish copies of the enclosed materials to those of your clients for whom you hold shares registered in your name or in the name of your nominee.

Enclosed with this letter are copies of the following documents:

1. Offer to Purchase, dated July 21, 2006;
2. Letter of Transmittal, for your use in accepting the Tender Offer and tendering shares of and for the information of your clients, including the Substitute Form W-9;
3. Notice of Guaranteed Delivery with respect to shares, to be used to accept the Tender Offer in the event you are unable to deliver the share certificates, together with all other required documents, to the Depository before the Expiration Time (as defined in the Offer to Purchase), or if the procedure for book-entry transfer cannot be completed before the Expiration Time;
4. Form of letter that may be sent to your clients for whose accounts you hold shares registered in your name or in the name of your nominee, along with an Instruction Form provided for obtaining such client's instructions with regard to the Tender Offer; and
5. Return envelope addressed to Mellon Investor Services LLC as the Depository.

**Certain conditions to the Tender Offer are described in Section 7 of the Offer to Purchase.**

**We urge you to contact your clients promptly. Please note that the Tender Offer, proration period, and withdrawal rights will expire at 12:00 midnight, Eastern Time, on August 17, 2006, unless the Tender Offer is extended.**

**Under no circumstances will interest be paid on the purchase price of the shares regardless of any extension of, or amendment to, the Tender Offer or any delay in paying for such shares.**

The Company will not pay any fees or commissions to any broker or dealer or other person (other than the Dealer Managers, Information Agent and the Depositary, as described in the Offer to Purchase) in connection with the solicitation of tenders of shares pursuant to the Tender Offer. However, the Company will, on request, reimburse you for customary mailing and handling expenses incurred by you in forwarding copies of the enclosed Tender Offer materials to your clients. The Company will pay or cause to be paid any stock transfer taxes applicable to its purchase of shares pursuant to the Tender Offer, except as otherwise provided in the Offer to Purchase.

Questions may be directed to Goldman, Sachs & Co. or Deutsche Bank Securities Inc., the Dealer Managers for the Tender Offer, at their respective addresses and telephone numbers listed on the back cover of the Offer to Purchase.

Very truly yours,

Microsoft Corporation

**Nothing contained in this letter or in the enclosed documents shall render you or any other person the agent of the Company, the Depositary, the Dealer Managers, the Information Agent, or any affiliate of any of them or authorize you or any other person to give any information or use any document or make any statement on behalf of any of them with respect to the Tender Offer other than the enclosed documents and the statements contained therein.**

**Offer to Purchase for Cash**  
by  
**MICROSOFT CORPORATION**  
of  
**Up to 808,080,808 Shares of its Common Stock**  
at a Purchase Price Not Greater Than \$24.75 nor Less Than \$22.50 Per Share

**THE TENDER OFFER, PRORATION PERIOD, AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00  
MIDNIGHT, EASTERN TIME, ON AUGUST 17, 2006, UNLESS THE TENDER OFFER IS EXTENDED.**

To Our Clients:

Enclosed for your consideration are the Offer to Purchase, dated July 21, 2006 (the "Offer to Purchase"), and the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Tender Offer"), in connection with the offer by Microsoft Corporation, a Washington corporation (the "Company"), to purchase for cash up to 808,080,808 shares of its Common Stock, \$0.00000625 par value per share (the "Common Stock"), at a price not greater than \$24.75 nor less than \$22.50 per share, net to the seller in cash, less any applicable withholding taxes and without interest, upon the terms and subject to the conditions described in the Offer to Purchase and the related Letter of Transmittal (the "Letter of Transmittal") (which together, as they may be amended and supplemented from time to time, constitute the "Tender Offer").

On the terms and subject to the conditions of the Tender Offer, the Company will determine a single per share price, not greater than \$24.75 nor less than \$22.50 per share, net to the seller in cash, less any applicable withholding taxes and without interest, that it will pay for shares properly tendered and not properly withdrawn in the Tender Offer, taking into account the total number of shares tendered and the prices specified by tendering shareholders. After the Tender Offer expires, the Company will look at the prices chosen by shareholders for all of the shares properly tendered. The Company will then select the lowest purchase price (in multiples of \$0.10 above \$22.50) within the price range specified above that will allow it to purchase 808,080,808 shares. If fewer shares are properly tendered, the Company will select the lowest price that will allow it to purchase all the shares that are properly tendered and not properly withdrawn. The Company will purchase all shares properly tendered before the Expiration Time (as defined in the Offer to Purchase) at or below the purchase price and not properly withdrawn at the purchase price determined in the Tender Offer, net to the seller in cash, less any applicable withholding tax and without interest, on the terms and subject to the conditions of the Tender Offer, including its proration, "odd lot" priority, and conditional tender provisions. All shares acquired in the Tender Offer will be acquired at the same purchase price. The Company reserves the right, in its sole discretion, to purchase more than 808,080,808 shares in the Tender Offer, subject to applicable law. The Company will return shares tendered at prices greater than the purchase price and shares not purchased because of proration provisions or conditional tenders to the tendering shareholders at the Company's expense promptly after the Tender Offer expires. See Sections 1 and 3 of the Offer to Purchase.

If the number of shares properly tendered at or below the purchase price determined in the Tender Offer and not properly withdrawn prior to the Expiration Time is less than or equal to 808,080,808 shares, or such greater number of shares as the Company may elect to accept for payment, the Company will, subject to applicable law and upon the terms and subject to the conditions of the Tender Offer, purchase all shares so tendered at the purchase price the Company determines.

On the terms and subject to the conditions of the Tender Offer, if more than 808,080,808 shares (or such greater number of shares as the Company may elect to accept for payment, subject to applicable law) are properly tendered at or below the purchase price and not properly withdrawn prior to the Expiration Time, the Company will purchase shares: *first*, from all holders who own beneficially or of record, fewer than 100 shares in the aggregate (an "Odd Lot Holder") and who properly tender all of their shares at or below the purchase price selected by the Company and who do not properly withdraw them before the Expiration Time; *second*, from all other shareholders who properly tender shares at or below the purchase price selected by the Company and who do not properly withdraw them before the Expiration Time, on a pro rata basis (except for shareholders who

tendered shares conditionally for which the condition was not satisfied); and *third*, only if necessary to permit the Company to purchase 808,080,808 shares (or any such greater number of shares as the Company may elect to accept for payment, subject to applicable law), from holders who have tendered shares at or below the purchase price determined in the Tender Offer conditionally (for which the condition was not initially satisfied) by random lot, to the extent feasible. To be eligible for purchase by random lot, shareholders whose shares are conditionally tendered must have tendered all of their shares. See Sections 1, 3 and 6 of the Offer to Purchase.

We are the owner of record of shares held for your account. As such, we are the only ones who can tender your shares, and then only pursuant to your instructions. **We are sending you the Letter of Transmittal for your information only; you cannot use it to tender shares we hold for your account.**

Please instruct us as to whether you wish us to tender any or all of the shares we hold for your account on the terms and subject to the conditions of the Tender Offer.

Please note the following:

1. You may tender your shares at prices not greater than \$24.75 nor less than \$22.50 per share, as indicated in the attached Instruction Form, net to you in cash, less any applicable withholding taxes and without interest.

**2. You should consult with your broker or other financial or tax advisor on the possibility of designating the priority in which your shares will be purchased in the event of proration.**

3. The Tender Offer is not conditioned on any minimum number of shares being tendered. The Tender Offer is, however, subject to certain conditions set forth in Section 7 of the Offer to Purchase.

4. The Tender Offer, proration period, and withdrawal rights will expire at 12:00 midnight, Eastern Time, on August 17, 2006, unless the Company extends the Tender Offer.

5. The Tender Offer is for up to 808,080,808 shares, constituting approximately 8.1% of the total number of issued and outstanding shares of the Company's Common Stock as of July 17, 2006.

6. Tendering shareholders who are registered shareholders or who tender their shares directly to Mellon Investor Services LLC will not be obligated to pay any brokerage commissions.

7. If you wish to tender portions of your shares at different prices, you must complete a separate Instruction Form for each price at which you wish to tender each such portion of your shares. We must submit separate Letters of Transmittal on your behalf for each price you will accept for each portion tendered.

8. If you are an Odd Lot Holder and you instruct us to tender on your behalf all of the shares that you own at or below the purchase price before the expiration of the Tender Offer and check the box captioned "Odd Lots" on the attached Instruction Form, the Company, on the terms and subject to the conditions of the Tender Offer, will accept all such shares for purchase before proration, if any, of the purchase of other shares properly tendered at or below the purchase price and not properly withdrawn.

9. If you wish to condition your tender upon the purchase of all shares tendered by you or upon the Company's purchase of a specified minimum number of the shares which you tender, you may elect to do so and thereby avoid possible proration of your tender. The Company's purchase of shares from all tenders which are so conditioned, to the extent necessary, will be determined by random lot. To elect such a condition, complete the section captioned "Conditional Tender" in the attached Instruction Form.

If you wish to have us tender any or all of your shares, please so instruct us by completing, executing, detaching and returning to us the attached Instruction Form. If you authorize us to tender your shares, we will tender all your shares unless you specify otherwise on the attached Instruction Form.

**Your prompt action is requested. Your Instruction Form should be forwarded to us in ample time to permit us to submit a tender on your behalf before the Expiration Time of the Tender Offer. Please note that the Tender Offer, proration period, and withdrawal rights will expire at 12:00 midnight, Eastern Time, on August 17, 2006, unless the Tender Offer is extended.**

The Tender Offer is being made solely under the Offer to Purchase and the Letter of Transmittal and is being made to all record holders of shares of the Company's Common Stock. The Tender Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of shares residing in any jurisdiction in which the making of the Tender Offer or acceptance thereof would not be in compliance with the securities, blue sky or other laws of such jurisdiction.

**The Company's Board of Directors has approved the Tender Offer. However, neither the Company's management nor its Board of Directors, nor the Dealer Managers, the Depositary nor the Information Agent makes any recommendation to any shareholder as to whether to tender or refrain from tendering any shares or as to the price or prices at which shareholders may choose to tender their shares. The Company has not authorized any person to make any recommendation. You should carefully evaluate all information in the Tender Offer and should consult your own investment and tax advisors. You must decide whether to tender your shares and, if so, how many shares to tender and the price or prices at which you will tender them. In doing so, you should read carefully the information in the Offer to Purchase and the Letter of Transmittal.**

**INSTRUCTION FORM WITH RESPECT TO  
Offer to Purchase for Cash  
by MICROSOFT CORPORATION  
of  
Up to 808,080,808 Shares of its Common Stock  
at a Purchase Price Not Greater Than \$24.75 nor Less Than \$22.50 Per Share**

The undersigned acknowledges receipt of your letter and the enclosed Offer to Purchase, dated July 21, 2006 (the "Offer to Purchase"), and the Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Tender Offer"), in connection with the offer by Microsoft Corporation, a Washington corporation (the "Company"), to purchase for cash up to 808,080,808 shares of its Common Stock, \$0.00000625 par value per share (the "Common Stock"), at a price not greater than \$24.75 nor less than \$22.50 per share, net to the seller in cash, less any applicable withholding taxes and without interest, upon the terms and subject to the conditions of the Tender Offer.

The undersigned hereby instructs you to tender to the Company the number of shares indicated below or, if no number is indicated, all shares you hold for the account of the undersigned, at the price per share indicated below, on the terms and subject to the conditions of the Tender Offer.

In participating in the Tender Offer, the undersigned acknowledges that: (1) the Tender Offer is established voluntarily by the Company, it is discretionary in nature and it may be extended, modified, suspended or terminated by the Company as provided in the Offer to Purchase; (2) the undersigned is voluntarily participating in the Tender Offer; (3) the future value of the Company's Common Stock is unknown and cannot be predicted with certainty; (4) the undersigned has received the Offer to Purchase; and (5) regardless of any action that the Company takes with respect to any or all income/capital gains tax, social security or insurance, transfer tax or other tax-related items ("Tax Items") related to the Tender Offer and the disposition of shares, the undersigned acknowledges that the ultimate liability for all Tax Items is and remains his or her sole responsibility. In that regard, the undersigned authorizes the Company to withhold all applicable Tax Items legally payable by the undersigned.

**Number of shares to be tendered by you for the account of the undersigned: \_\_\_\_\_ shares\***

**\*Unless otherwise indicated it will be assumed that all shares held by us for your account are to be tendered.**

**CHECK ONLY ONE BOX:**

**(1) SHARES TENDERED AT PRICE DETERMINED BY SHAREHOLDER (SEE INSTRUCTION 5 OF THE LETTER OF TRANSMITTAL)**

By checking ONE of the following boxes below INSTEAD OF THE BOX UNDER “Shares Tendered at Price Determined in the Tender Offer,” the undersigned hereby tenders shares at the price checked. This action could result in none of the shares being purchased if the purchase price determined by the Company for the shares is less than the price checked below. A SHAREHOLDER WHO DESIRES TO TENDER SHARES AT MORE THAN ONE PRICE MUST COMPLETE A SEPARATE INSTRUCTION FORM FOR EACH PRICE AT WHICH SHARES ARE TENDERED.

**PRICE (IN DOLLARS) PER SHARE AT WHICH SHARES  
ARE BEING TENDERED**

<input type="checkbox"/> \$22.50	<input type="checkbox"/> \$23.10	<input type="checkbox"/> \$23.70	<input type="checkbox"/> \$24.30
<input type="checkbox"/> \$22.60	<input type="checkbox"/> \$23.20	<input type="checkbox"/> \$23.80	<input type="checkbox"/> \$24.40
<input type="checkbox"/> \$22.70	<input type="checkbox"/> \$23.30	<input type="checkbox"/> \$23.90	<input type="checkbox"/> \$24.50
<input type="checkbox"/> \$22.80	<input type="checkbox"/> \$23.40	<input type="checkbox"/> \$24.00	<input type="checkbox"/> \$24.60
<input type="checkbox"/> \$22.90	<input type="checkbox"/> \$23.50	<input type="checkbox"/> \$24.10	<input type="checkbox"/> \$24.70
<input type="checkbox"/> \$23.00	<input type="checkbox"/> \$23.60	<input type="checkbox"/> \$24.20	<input type="checkbox"/> \$24.75

**OR**

**(2) SHARES TENDERED AT PRICE DETERMINED IN THE TENDER OFFER (SEE INSTRUCTION 5 OF THE LETTER OF TRANSMITTAL)**

By checking the box below INSTEAD OF ONE OF THE BOXES UNDER “Shares Tendered at Price Determined by Shareholder,” the undersigned hereby tenders shares at the purchase price, as the same shall be determined by the Company in accordance with the terms of the Tender Offer. For purposes of determining the purchase price, those shares that are tendered by the undersigned agreeing to accept the purchase price determined in the Tender Offer will be deemed to be tendered at the minimum price.

The undersigned wants to maximize the chance of having the Company purchase all of the shares the undersigned is tendering (subject to the possibility of proration). Accordingly, by checking this box instead of one of the price boxes above, the undersigned hereby tenders shares at, and is willing to accept, the purchase price determined by the Company in accordance with the terms of the Tender Offer. THE UNDERSIGNED SHOULD UNDERSTAND THAT THIS ELECTION MAY LOWER THE PURCHASE PRICE AND COULD RESULT IN THE TENDERED SHARES BEING PURCHASED AT THE MINIMUM PRICE OF \$22.50 PER SHARE.

**CHECK ONLY ONE BOX ABOVE. IF MORE THAN ONE BOX IS CHECKED ABOVE, OR IF NO BOX IS CHECKED, THERE IS NO VALID TENDER OF SHARES.**

**ODD LOTS**  
**(See Instruction 6 of the Letter of Transmittal)**

To be completed only if shares are being tendered by or on behalf of a person owning, beneficially or of record, an aggregate of fewer than 100 shares.

By checking this box, the undersigned represents that the undersigned owns, whether beneficially or of record, an aggregate of fewer than 100 shares and is tendering all of those shares.

In addition, the undersigned is tendering shares either (check one box):

at the purchase price, as the same will be determined by the Company in accordance with the terms of the Tender Offer (persons checking this box need not indicate the price per share above); or

at the price per share indicated above in the section captioned "Price (In Dollars) per Share at Which Shares Are Being Tendered."

**CONDITIONAL TENDER**  
**(See Instruction 6 of the Letter of Transmittal)**

A tendering shareholder may condition such shareholder's tender of shares upon the Company purchasing a specified minimum number of the shares tendered, all as described in Section 6 of the Offer to Purchase. Unless at least the minimum number of shares you indicate below is purchased by the Company pursuant to the terms of the Tender Offer, none of the shares tendered by you will be purchased. **It is the tendering shareholder's responsibility to calculate the minimum number of shares that must be purchased if any are purchased, and you are urged to consult your own tax advisor before completing this section.** Unless this box has been checked and a minimum specified, the tender will be deemed unconditional.

The minimum number of shares that must be purchased from me, if any are purchased from me, is: \_\_\_\_\_ shares.

If, because of proration, the minimum number of shares designated will not be purchased, the Company may accept conditional tenders by random lot, if necessary. However, to be eligible for purchase by random lot, the tendering shareholder must have tendered all of such shareholder's shares and checked this box:

The tendered shares represent all shares held by the undersigned.

**The method of delivery of this document is at the election and risk of the tendering shareholder. If delivery is by mail, then registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.**

---

Signature(s): \_\_\_\_\_

Name(s): \_\_\_\_\_  
(Please Print)

Taxpayer Identification Number: \_\_\_\_\_

Address(es): \_\_\_\_\_  
(Including Zip Code)

Area Code/Phone Number: \_\_\_\_\_

Date: \_\_\_\_\_

## IMMEDIATE ATTENTION REQUIRED

July 21, 2006

**Re: Microsoft Corporation Tender Offer**

Dear Microsoft Corporation Savings Plus 401(k) Plan Participant:

The enclosed tender offer materials and Direction Form require your immediate attention. Our records reflect that, as a participant in the Microsoft Corporation Savings Plus 401(k) Plan (the "Plan"), all or a portion of your individual account is invested in Microsoft Corporation common stock. The tender offer materials describe an offer by Microsoft Corporation to purchase up to 808,080,808 shares of its common stock, \$0.00000625 par value per share (the "Shares"), at a price not greater than \$24.75 nor less than \$22.50 per share, net to the seller in cash, without interest (the "Offer"). As described below, you have the right to instruct Fidelity Management Trust Company ("Fidelity"), as trustee of the Plan, concerning whether to tender Shares attributable to your individual account under the Plan. **You will need to complete the enclosed Direction Form and return it to Fidelity's tabulator in the enclosed return envelope so that it is RECEIVED by 4:00 p.m., Eastern Time, on Monday, August 14, 2006, unless the Offer is extended, in which case the deadline for receipt of instructions will be three business days prior to the expiration date of the Offer, if feasible.**

The remainder of this letter summarizes the transaction, your rights under the Plan and the procedures for completing and submitting the Direction Form. You should also review the more detailed explanation provided in the Offer to Purchase, dated July 21, 2006 (the "Offer to Purchase"), enclosed with this letter.

**BACKGROUND**

Microsoft Corporation ("Microsoft") has made an Offer to its shareholders to tender up to 808,080,808 shares of its common stock, \$0.00000625 par value per share, for purchase by Microsoft at a price not greater than \$24.75 nor less than \$22.50 per share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the enclosed Offer to Purchase. Microsoft will select the lowest purchase price (in multiples of \$.10) that will allow it to purchase 808,080,808 Shares or, if a lesser number of Shares are properly tendered, all Shares that are properly tendered and not withdrawn. All Shares acquired in the Offer will be acquired at the same purchase price regardless of whether the shareholder tendered at a lower price.

The enclosed Offer to Purchase sets forth the objectives, terms and conditions of the Offer and is being provided to all of Microsoft's shareholders. To understand the Offer fully and for a more complete description of the terms and conditions of the Offer, you should carefully read the entire Offer to Purchase.

The Offer extends to the Shares held by the Plan. As of July 17, 2006, the Plan had approximately 30,082,798 Shares allocated to participant accounts. Only Fidelity, as trustee of the Plan, can tender these Shares in the Offer. Nonetheless, as a participant under the Plan, you have the right to direct Fidelity whether or not to tender some or all of the Shares attributable to your individual account in the Plan, and at what price or prices. Unless otherwise required by applicable law, Fidelity will tender Shares attributable to participant accounts in accordance with participant instructions and Fidelity will not tender Shares attributable to participant accounts for which it does not receive timely instructions. **If you do not complete the enclosed Direction Form and return it to Fidelity's tabulator on a timely basis,**

**you will be deemed to have elected not to participate in the Offer and no Shares attributable to your Plan account will be tendered.**

### **LIMITATIONS ON FOLLOWING YOUR DIRECTION**

The enclosed Direction Form allows you to specify the percentage of the Shares attributable to your account that you wish to tender and the price or prices at which you want to tender Shares attributable to your account. As detailed below, when Fidelity tenders Shares on behalf of the Plan, they may be required to tender Shares on terms different than those set forth on your Direction Form.

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the trust agreement between Microsoft and Fidelity prohibit the sale of Shares to Microsoft for less than “adequate consideration” which is defined by ERISA for a publicly traded security as the price of the security prevailing on a national securities exchange. Fidelity will determine “adequate consideration,” based on the prevailing market price of the Shares on NASDAQ on or about the date the Shares are tendered by Fidelity (the “prevailing market price”). To determine the prevailing market price, Fidelity will look to the NASDAQ Official Close Price as listed on Nasdaq.com. Accordingly, depending on the prevailing market price of the Shares on such date, Fidelity may be unable to follow participant directions to tender Shares to Microsoft at certain prices within the offered range. Fidelity will tender or not tender Shares as follows:

- If the prevailing market price is greater than the maximum tender price offered by Microsoft (\$24.75 per Share), notwithstanding your direction to tender Shares in the Offer, the Shares will not be tendered.
- If the prevailing market price is lower than the price at which you direct Shares be tendered, notwithstanding the lower closing market price, Fidelity will follow your direction both as to percentage of Shares to tender and as to the price at which such Shares are tendered.
- If the prevailing market price is greater than the price at which you direct the Shares be tendered but within the range of \$22.50 to \$24.75, Fidelity will follow your direction regarding the percentage of Shares to be tendered, but will increase the price at which such Shares are to be tendered to the lowest tender price that is not less than prevailing market price.
- If the prevailing market price is within the range of \$22.50 to \$24.75, for all shares directed to be tendered at the “per Share purchase price to be determined pursuant to the tender offer”, Fidelity will tender such Shares at the lowest tender price that is not less than the prevailing market price.

**Unless otherwise required by applicable law, Fidelity will not tender Shares for which it has received no direction, or for which it has received a direction not to tender. Fidelity makes no recommendation as to whether to direct the tender of Shares or whether to refrain from directing the tender of Shares. EACH PARTICIPANT OR BENEFICIARY MUST MAKE HIS OR HER OWN DECISIONS.**

### **CONFIDENTIALITY**

To assure the confidentiality of your decision, Fidelity and their affiliates or agents will tabulate the Direction Forms. Neither Fidelity nor their affiliates or agents will make your individual direction available to Microsoft.

## PROCEDURE FOR DIRECTING TRUSTEE

Enclosed is a Direction Form that should be completed and returned to Fidelity's tabulator. Please note that the Direction Form indicates the number of Shares attributable to your individual account as of July 17, 2006. However, for purposes of the final tabulation, Fidelity will apply your instructions to the number of Shares attributable to your account as of August 14, 2006, or as of a later date if the Offer is extended.

If you do not properly complete the Direction Form or do not return it by the deadline specified, such Shares will be considered NOT TENDERED.

To properly complete your Direction Form, you must do the following:

(1) On the face of the Direction Form, check Box 1 or 2. CHECK ONLY ONE BOX:

- CHECK BOX 1 if you do not want the Shares attributable to your individual account tendered for sale in accordance with the terms of the Offer and simply want the Plan to continue holding such Shares.
- CHECK BOX 2 in all other cases and complete the table immediately below Box 2. Specify the percentage (in whole numbers) of Shares attributable to your individual account that you want to tender at each price indicated.

You may direct the tender of Shares attributable to your account at different prices. To do so, you must state the percentage (in whole numbers) of Shares to be sold at each price by filling in the percentage of such Shares on the line immediately before the price. Also, you may elect to accept the per Share purchase price to be determined pursuant to the tender offer, which will result in receiving a price per Share as low as \$22.50 or as high as \$24.75. Leave a given line blank if you want no Shares tendered at that particular price. The total of the percentages you provide on the Direction Form may not exceed 100%, but it may be less than 100%. If this amount is less than 100%, you will be deemed to have instructed Fidelity NOT to tender the balance of the Shares attributable to your individual account.

(2) Date and sign the Direction Form in the space provided.

(3) Return the Direction Form in the enclosed return envelope so that it is received by Fidelity's tabulator at the address on the return envelope (P.O. Box 9142, Hingham, MA 02043) not later than 4:00 P.M., Eastern Time, on Monday, August 14, 2006, unless the Offer is extended, in which case the participant deadline shall be three business days prior to the expiration date of the Offer, if feasible. If you wish to return the form by overnight courier, please send it to Fidelity's tabulator at Tabulator, 60 Research Road, Hingham, MA 02043. Directions via facsimile will not be accepted.

Your direction will be deemed irrevocable unless withdrawn by 4:00 p.m., Eastern Time, on Monday, August 14, 2006, unless the Offer is extended. In order to make an effective withdrawal, you must submit a new Direction Form that may be obtained by calling Fidelity at (888) 810-6738. Upon receipt of a new, completed and signed Direction Form, your previous direction will be deemed canceled. You may direct the re-tendering of any Shares attributable to your individual account by obtaining an additional Direction Form from Fidelity and repeating the previous instructions for directing tender as set forth in this letter.

After the deadline above for returning the Direction Form to Fidelity's tabulator, Fidelity and their affiliates or agents will complete the tabulation of all directions. Fidelity will tender the appropriate number of Shares on behalf of the Plan.

Microsoft will then buy all Shares, up to 808,080,808, that were properly tendered through the Offer. If there is an excess of Shares tendered over the exact number desired by Microsoft, Shares tendered pursuant to the Offer may be subject to proration, as described in the Offer to Purchase. For any Shares in the Plan that are tendered and purchased by Microsoft, Microsoft will pay cash to the Plan. INDIVIDUAL PARTICIPANTS IN THE PLAN WILL NOT, HOWEVER, RECEIVE ANY CASH TENDER PROCEEDS DIRECTLY. ALL SUCH PROCEEDS WILL REMAIN IN THE PLAN AND MAY BE WITHDRAWN ONLY IN ACCORDANCE WITH THE TERMS OF THE PLAN. Any Shares attributable to your account that are not purchased in the Offer will remain allocated to your individual account under the Plan.

The preferential treatment of holders of fewer than 100 Shares, as described in the Offer to Purchase, will not apply to participants in the Plan, regardless of the number of Shares held within their individual accounts. Likewise, the conditional tender of Shares, as described in the Offer to Purchase, will not apply to the participants in the Plan.

#### **EFFECT OF THE OFFER ON YOUR ACCOUNT**

**As of 4:00 p.m., Eastern Time, on Friday, August 11, 2006, withdrawals, loans and distributions involving the Microsoft common stock attributable to your Plan account will be unavailable for a period of time. Exchanges out of Microsoft common stock attributable to your Plan account will be unavailable and all outstanding orders to sell Microsoft common stock (e.g. good til cancelled, limit) will be cancelled as of 4:00 p.m., Eastern Time, on Monday, August 14, 2006.** Balances in Microsoft common stock will be utilized to calculate amounts eligible for loans and withdrawals throughout this restriction period. These restrictions will apply to ALL participants regardless if you elect to tender or not. Please note, these restrictions DO NOT impact your ability purchase additional Microsoft common stock in your Plan account.

If you directed Fidelity to NOT tender any of the Shares attributable to your account, you did not return your Trustee Direction Form in a timely manner or your tender instructions could not be followed, as of 8:30 a.m., Eastern Time, on Thursday, August 17, 2006, it is anticipated that the restrictions described above will be removed and you will again have access to all transactions normally available to Microsoft common stock, subject to Plan rules.

**If you directed Fidelity to tender some or all of the Shares attributable to your account, on or about August 16, 2006, to the extent those directions can be followed as described in the LIMITATIONS ON FOLLOWING YOUR DIRECTION section above, Fidelity will transfer that number of Shares into a separate stock fund (the "tender holding fund") within your individual Plan account.** Following this transfer, you will regain access to all exchanges out, loans, withdrawals and distributions for the non-tendered Shares in your account. The Shares transferred into the tender holding fund will be frozen to all transactions other than those related to the processing of the Offer.

While participants will not recognize any immediate tax gain or loss as a result of the tender offer, the tax treatment of future withdrawals or distributions from the Plan may be adversely impacted by a tender and sale of shares within the Plan. Specifically, under current federal income tax rules, if you receive from the Plan a lump sum distribution that includes the Microsoft shares that have increased in value while they were held by the Plan, under certain circumstances, you may have the option of deferring paying taxes on this increase in value, until you sell the shares. This is referred to as net

unrealized appreciation. When the shares are sold, any gain up to the amount of the untaxed net unrealized appreciation is taxed as long-term capital gain. If shares credited to your individual Plan account are purchased by Microsoft in the tender offer, you will no longer be able to take advantage of this tax benefit on these shares.

## INVESTMENT OF PROCEEDS

Fidelity will invest proceeds received with respect to Shares attributable to your account in the Fidelity Institutional Money Market fund as soon as administratively possible after receipt of proceeds. For all Shares tendered on your behalf that are accepted for purchase by Microsoft, Fidelity will process an exchange from the tender holding fund, at a price equal to the final purchase price determined by the Offer, into the Fidelity Institutional Money Market fund. For all Shares tendered on your behalf that are NOT accepted for purchase by Microsoft, such Shares will be transferred back into your common stock fund account. At that time, for all of the Shares attributable to your account, you will have access to all transactions normally available to Microsoft common stock, subject to Plan rules.

Fidelity anticipates that the processing of participant accounts will be completed five to seven business days after receipt of these proceeds. You may call Fidelity toll free at (888) 810-6738 (or access your account via NetBenefits) after the reinvestment is complete to learn the effect of the tender on your account or to have the proceeds from the sale of Shares which were invested in the Fidelity Institutional Money Market fund invested in other investment options offered under the Plan.

## SHARES OUTSIDE THE PLAN

If you hold Shares outside of the Plan, you will receive, under separate cover, Offer materials to be used to tender those Shares. **Those Offer materials may not be used to direct Fidelity to tender or not tender the Shares attributable to your individual account under the Plan.** Likewise, the tender of Shares attributable to your individual account under the Plan will not be effective with respect to Shares you hold outside of the Plan. The direction to tender or not tender Shares attributable to your individual account under the Plan may only be made in accordance with the procedures in this letter. Similarly, the enclosed Direction Form may not be used to tender Shares held outside of the Plan.

## FURTHER INFORMATION

If you require additional information concerning the procedure to tender Shares attributable to your individual account under the Plan, please contact Fidelity toll free at (888) 810-6738. If you require additional information concerning the terms and conditions of the Offer, please call Georeson Inc., the Information Agent, toll free at (866) 482-5026.

Sincerely,

Fidelity Management Trust Company

**DIRECTION FORM  
MICROSOFT CORPORATION TENDER OFFER  
BEFORE COMPLETING THIS FORM, PLEASE READ CAREFULLY THE  
ACCOMPANYING OFFER TO PURCHASE AND ALL OTHER ENCLOSED MATERIALS.**

PLEASE NOTE THAT IF YOU DO NOT SEND IN A PROPERLY COMPLETED, SIGNED DIRECTION FORM, OR IF SUCH DIRECTION FORM IS NOT RECEIVED BY 4:00 P.M., EASTERN TIME ON MONDAY, AUGUST 14, 2006, UNLESS THE TENDER OFFER IS EXTENDED, THE MICROSOFT SHARES ATTRIBUTABLE TO YOUR ACCOUNT UNDER THE PLAN WILL NOT BE TENDERED IN ACCORDANCE WITH THE TENDER OFFER, UNLESS OTHERWISE REQUIRED BY LAW.

Fidelity Management Trust Company ("Fidelity") makes no recommendation to any participant in the Microsoft Corporation Savings Plus 401(k) Plan (the "Plan") as to whether to tender or not, or at which prices. Your direction to Fidelity will be kept confidential.

This Direction Form, if properly signed, completed and received by Fidelity's tender offer tabulator in a timely manner, will supersede any previous Direction Form.

\_\_\_\_\_ Date

\_\_\_\_\_ Please Print Name

\_\_\_\_\_ Signature

**As of July 17, 2006, the number of shares attributable to your account in the Plan is shown to the right of your address.**

In connection with the Offer to Purchase made by Microsoft Corporation, dated July 21, 2006, I hereby instruct Fidelity to tender the shares attributable to my account under the Plan as of August 14, 2006, unless a later deadline is announced, as follows (check only one box and complete):

(CHECK BOX ONE OR TWO)

- 1. Please refrain from tendering and continue to HOLD all shares attributable to my individual account under the Plan.
- 2. Please TENDER shares attributable to my individual account under the Plan in the percentage indicated below for each of the prices provided. A blank space before a given price will be taken to mean that no shares attributable to my account are to be tendered at that price. **FILL IN THE TABLE BELOW ONLY IF YOU HAVE CHECKED BOX 2.**

Percentage of Shares to be Tendered (The total of all percentages must be less than or equal to 100%. If the total is less than 100%, you will be deemed to have directed Fidelity NOT to tender the remaining percentage.)

_____ % at \$22.50	_____ % at \$23.10	_____ % at \$23.70	_____ % at \$24.30	_____ % at TBD**
_____ % at \$22.60	_____ % at \$23.20	_____ % at \$23.80	_____ % at \$24.40	
_____ % at \$22.70	_____ % at \$23.30	_____ % at \$23.90	_____ % at \$24.50	
_____ % at \$22.80	_____ % at \$23.40	_____ % at \$24.00	_____ % at \$24.60	
_____ % at \$22.90	_____ % at \$23.50	_____ % at \$24.10	_____ % at \$24.70	
_____ % at \$23.00	_____ % at \$23.60	_____ % at \$24.20	_____ % at \$24.75	

\*\* By entering a percentage on the % line at TBD, the undersigned is willing to accept the Purchase Price resulting from the Dutch Auction, for the percentage of shares elected. This could result in receiving a price per share as low as \$22.50 or as high as \$24.75 per share

*This announcement is neither an offer to purchase nor a solicitation of an offer to sell shares. The Tender Offer (as defined below) is made solely by the Offer to Purchase, dated July 21, 2006, and the Letter of Transmittal, and any amendments or supplements thereto. The Tender Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of shares of common stock in any jurisdiction in which the making or acceptance of offers to sell shares would not be in compliance with the laws of that jurisdiction. In any jurisdiction where the securities, blue sky, or other laws require the Tender Offer to be made by a licensed broker or dealer, the Tender Offer shall be deemed to be made on behalf of Microsoft Corporation by Goldman, Sachs & Co. and Deutsche Bank Securities Inc., the Dealer Managers, or by one or more registered brokers or dealers registered under that jurisdiction's laws.*



**Notice of Offer to Purchase for Cash Up to 808,080,808 Shares of its Common Stock  
at a Purchase Price Not Greater Than \$24.75 nor Less Than \$22.50 Per Share**

Microsoft Corporation, a Washington corporation (the "Company"), is offering to purchase up to 808,080,808 shares of its Common Stock, \$0.00000625 par value per share (the "Common Stock"), at a price not greater than \$24.75 nor less than \$22.50 per share, net to the seller in cash, less any applicable withholding taxes and without interest, upon the terms and subject to the conditions described in the Offer to Purchase, dated July 21, 2006 (the "Offer to Purchase"), and the Letter of Transmittal (the "Letter of Transmittal") (which together, as they may be amended and supplemented from time to time, constitute the "Tender Offer").

**THE TENDER OFFER, PRORATION PERIOD, AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, EASTERN TIME, ON AUGUST 17, 2006, UNLESS THE TENDER OFFER IS EXTENDED.**

The Tender Offer is not conditioned upon any minimum number of shares being tendered. The Tender Offer is, however, subject to certain other conditions set forth in the Offer to Purchase.

**The Company's Board of Directors has approved the Tender Offer. However, neither the Company's management nor its Board of Directors nor the Dealer Managers, the Depositary nor the Information Agent makes any recommendation to any shareholder as to whether to tender or refrain from tendering any shares or as to the price or prices at which shareholders may choose to tender their shares. The Company has not authorized any person to make any recommendation. Shareholders should carefully evaluate all information in the Tender Offer and should consult their own investment and tax advisors. Shareholders must decide whether to tender their shares and, if so, how many shares to tender and the price or prices at which a shareholder will tender them. In doing so, a shareholder should read carefully the information in the Offer to Purchase and in the Letter of Transmittal.**

The Company's directors and executive officers have advised the Company that they do not intend to tender any of their shares in the Tender Offer.

As of July 17, 2006, there were 10,004,128,767 shares of the Company's Common Stock issued and outstanding. The 808,080,808 shares that the Company is offering to purchase hereunder represent approximately 8.1% of the total number of issued and outstanding shares of the Company's Common Stock as of June 17, 2006. The shares are listed and traded on the Nasdaq Global Select Market under the symbol "MSFT". **Shareholders are urged to obtain current market quotations for the shares.**

The Board of Directors believes that the modified "Dutch Auction" tender offer set forth in the Offer to Purchase represents a mechanism to provide all of the Company's shareholders with the opportunity to tender all or a portion of their shares and, thereby, receive a return of some or all of their investment if they so elect. The Tender Offer provides shareholders (particularly those who, because of the size of their shareholdings, might not

be able to sell their shares without potential disruption to the share price) with an opportunity to obtain liquidity with respect to all or a portion of their shares, without potential disruption to the share price and the usual transaction costs associated with market sales. In addition, shareholders who do not participate in the Tender Offer will automatically increase their relative percentage ownership interest in the Company and its future operations.

The Tender Offer also provides shareholders with an efficient way to sell their shares without incurring broker's fees or commissions associated with open market sales. Furthermore, odd lot holders who hold shares registered in their names and tender their shares directly to the Depository and whose shares are purchased pursuant to the Tender Offer also will avoid any applicable odd lot discounts that might be payable on sales of their shares.

In accordance with the instructions to the Letter of Transmittal, shareholders desiring to tender shares must specify the price or prices, not in excess of \$24.75 nor less than \$22.50 per share, at which they are willing to sell their shares to the Company in the Tender Offer. Alternatively, shareholders desiring to tender shares can choose not to specify a price and, instead, elect to tender their shares at the purchase price ultimately paid for shares properly tendered and not properly withdrawn in the Tender Offer, which could result in the tendering shareholder receiving the minimum price of \$22.50 per share. See the Offer to Purchase for recent market prices for the shares. Shareholders desiring to tender shares must follow the procedures set forth in the Offer to Purchase and in the Letter of Transmittal.

The Company is offering to purchase up to 808,080,808 shares in the Tender Offer. On the terms and subject to the conditions of the Tender Offer, the Company will determine a single per share price, not greater than \$24.75 nor less than \$22.50 per share, net to the seller in cash, less any applicable withholding taxes and without interest, that the Company will pay for shares properly tendered and not properly withdrawn in the Tender Offer, taking into account the total number of shares tendered and the prices specified by tendering shareholders. After the Tender Offer expires, the Company will look at the prices chosen by shareholders for all of the shares properly tendered and not properly withdrawn. The Company will then select the lowest purchase price (in multiples of \$0.10, above \$22.50) within the price range specified above that will allow the Company to buy 808,080,808 shares. If fewer shares are properly tendered, the Company will select the lowest price that will allow the Company to buy all the shares that are properly tendered and not properly withdrawn. All shares the Company acquires in the Tender Offer will be acquired at the same purchase price regardless of whether the shareholder tendered at a lower price. The Company will purchase only shares properly tendered at prices at or below the purchase price the Company determines and not properly withdrawn. However, because of the "odd lot" priority, proration, and conditional tender provisions described in the Offer to Purchase, the Company may not purchase all of the shares tendered at or below the purchase price if more than the number of shares the Company seeks are properly tendered and not properly withdrawn. The Company will return shares tendered at prices in excess of the purchase price that the Company determines and shares that the Company does not purchase because of proration or conditional tenders to the tendering shareholders at the Company's expense promptly after the Tender Offer expires.

The term "Expiration Time" means 12:00 midnight, Eastern Time, on August 17, 2006, unless the Company, in its sole discretion, extends the period of time during which the Tender Offer will remain open, in which event the term "Expiration Time" shall refer to the latest time and date at which the Tender Offer, as so extended by the Company, shall expire.

For purposes of the Tender Offer, the Company will be deemed to have accepted for payment (and therefore purchased), subject to the "odd lot" priority, proration, and conditional tender provisions of the Tender Offer, shares that are properly tendered at or below the purchase price selected by the Company and not properly withdrawn only when, as and if the Company gives oral or written notice to the Depository of the Company's acceptance of the shares for payment pursuant to the Tender Offer.

Upon the terms and subject to the conditions of the Tender Offer, the Company will accept for payment and pay the per share purchase price for all of the shares accepted for payment pursuant to the Tender Offer promptly after the Expiration Time. In all cases, payment for shares tendered and accepted for payment pursuant to the

Tender Offer will be made promptly, subject to possible delay in the event of proration, but only after timely receipt by the Depositary of: certificates for shares or a timely book-entry confirmation of the deposit of shares into the Depositary's account at the book-entry transfer facility (as defined in the Offer to Purchase); a properly completed and duly executed Letter of Transmittal (or, in the case of a book-entry transfer, an agent's message (as defined in the Offer to Purchase)); and any other required documents.

If more than 808,080,808 shares (or such greater number of shares as the Company may elect to accept for payment, subject to applicable law) are properly tendered at or below the purchase price and not properly withdrawn prior to the Expiration Time, the Company will purchase shares: *first*, from all holders of "odd lots" of less than 100 shares who properly tender all of their shares at or below the purchase price determined in the Tender Offer and who do not properly withdraw them before the Expiration Time; *second*, from all other shareholders who properly tender shares at or below the purchase price determined in the Tender Offer and who do not properly withdraw them before the Expiration Time, on a pro rata basis (except for shareholders who tendered shares conditionally for which the condition was not satisfied); and *third*, only if necessary to permit the Company to purchase 808,080,808 shares (or such greater number of shares as the Company may elect to accept for payment, subject to applicable law), from holders who have tendered shares at or below the purchase price determined in the Tender Offer conditionally (for which the condition was not initially satisfied) by random lot, to the extent feasible. To be eligible for purchase by random lot, shareholders whose shares are conditionally tendered must have tendered all of their shares.

The Company will return shares tendered at prices in excess of the purchase price that the Company determines and shares that the Company does not purchase because of the "odd lot" priority, proration, or conditional tender provisions to the tendering shareholders at the Company's expense promptly following the Expiration Time.

The Company expressly reserves the right, in its sole discretion, at any time and from time to time, to extend the period of time during which the Tender Offer is open and thereby delay acceptance for payment of, and payment for, any shares by giving oral or written notice of such extension to the Depositary and making a public announcement of such extension.

Tenders of shares are irrevocable, except that such shares may be withdrawn at any time prior to the Expiration Time and, unless such shares have been accepted for payment as provided in the Tender Offer, shareholders may also withdraw their previously tendered shares at any time after 12:00 midnight, Eastern Time, on September 15, 2006. For a withdrawal to be effective, a written notice of withdrawal must be received in a timely manner by the Depositary at one of its addresses listed on the back cover of the Offer to Purchase. Any such notice of withdrawal must specify the name of the person having tendered the shares to be withdrawn, the number of shares to be withdrawn and the name of the registered holder of the shares to be withdrawn, if different from the name of the person who tendered the shares. If certificates for shares have been delivered or otherwise identified to the Depositary, then, prior to the physical release of those certificates, the serial numbers shown on those certificates must be submitted to the Depositary and, unless an eligible institution has tendered those shares, an eligible institution must guarantee the signatures on the notice of withdrawal. If a shareholder has used more than one Letter of Transmittal or has otherwise tendered shares in more than one group of shares, the shareholder may withdraw shares using either separate notices of withdrawal or a combined notice of withdrawal, so long as the information specified above is included. If shares have been delivered in accordance with the procedures for book-entry transfer described in the Offer to Purchase, any notice of withdrawal must also specify the name and number of the account at the book-entry transfer facility to be credited with the withdrawn shares and otherwise comply with the book-entry transfer facility's procedures.

The Company will decide, in its sole discretion, all questions as to the form and validity, including time of receipt, of notices of withdrawal, and each such decision will be final and binding on all parties. Neither the Company nor the Dealer Managers, the Depositary, the Information Agent nor any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

Generally, a U.S. shareholder will be subject to United States federal income taxation when the shareholder receives cash from the Company in exchange for the shares that the shareholder tenders in the Tender Offer. Depending on particular circumstances of the shareholder, the shareholder will be treated as either (i) recognizing capital gain or loss from the disposition of its shares or (ii) receiving a dividend distribution from the Company. A foreign shareholder may be subject to withholding at a rate of 30% on payments received pursuant to the Tender Offer and may also be subject to tax in other jurisdictions on the disposal of shares. All shareholders should read carefully the Offer to Purchase for additional information regarding the U.S. federal income tax consequences of participating in the Tender Offer and should consult their tax advisors regarding the tax effects of a tender of shares.

The information required to be disclosed by Rule 13e-4(d)(1) of the Securities Exchange Act of 1934, as amended, is contained in the Offer to Purchase and is incorporated herein by reference. The Offer to Purchase and the Letter of Transmittal contain important information that shareholders should read carefully before they make any decision with respect to the Tender Offer. The Offer to Purchase and the Letter of Transmittal will be mailed to record holders of shares and will be furnished to brokers, dealers, commercial banks and trust companies whose names, or the names of whose nominees, appear on the Company's shareholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of shares.

Questions and requests for assistance may be directed to Georgeson Inc., the Information Agent, or to Goldman, Sachs & Co. or Deutsche Bank Securities Inc., the Dealer Managers, at their respective addresses and telephone numbers set forth below. Copies of the Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery may be obtained promptly at the Company's expense from the Information Agent.

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The Depositary for the Tender Offer is:

Mellon Investor Services LLC

The Information Agent for the Tender Offer is:

**Georgeson**

17 State Street, 10th Floor  
New York, New York 10004

Banks and Brokerage Firms Call: (212) 440-9800

U.S. and Canada Call Toll-Free: (866) 482-5026

All Other Countries: +44 (0) 207-019-7137

The Dealer Managers for the Tender Offer are:

**Goldman, Sachs & Co.**

85 Broad Street  
New York, New York 10004  
Call: (212)-902-1697  
Call Toll-Free: (800) 471-7731

**Deutsche Bank Securities**

60 Wall Street  
New York, New York 10005  
Call: (212) 250-7421  
Call Toll-Free: (877) 221-7676

July 21, 2006