

# Microsoft prices \$1.15B convertible debt sale

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(AP) -- Microsoft Corp. has priced its \$1.15 billion convertible debt offering to institutional investors, and said it will use the proceeds to pay down short-term debt.

The [software company](#) said the zero coupon senior notes due 2013 won't pay interest but can be converted into cash, Microsoft [common stock](#), or a combination thereof.

Every \$1,000 worth of notes can be converted into 29.9434 Microsoft common shares. The initial conversion price totals \$33.40 per share, which marks a 33 percent premium to the stock's Tuesday closing price. To prevent share dilution once the stock is converted, Microsoft has set up capped call transactions that would make the company automatically purchase shares when the stock closes at or above \$37.16.

Microsoft also granted investors a 13-day option to buy another \$100 million in convertible notes to cover excess demand.

The sale is expected to close on Monday.

Microsoft shares fell 32 cents to close at \$24.79.

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