

MICROSOFT CORP  
Form 4  
August 31, 2006

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
**LIDDELL CHRISTOPHER P**

(Last) (First) (Middle)

**C/O MICROSOFT CORPORATION, ONE MICROSOFT WAY**

(Street)

**REDMOND, WA 98052-6399**

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
**MICROSOFT CORP [MSFT]**

3. Date of Earliest Transaction (Month/Day/Year)  
**08/31/2006**

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
Chief Financial Officer

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				Code V	Amount or Price		
Common Stock	08/31/2006		A	(1)	148,134	A	\$ 0 197,534 D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Security (Instr. 3 and 4)	Amount or Number of Shares
Performance Rights	\$ 0 <sup>(2)</sup>	08/31/2006		M	48,400 <sup>(3)</sup>	08/31/2006 08/31/2008	Common Stock	48,400

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
LIDDELL CHRISTOPHER P C/O MICROSOFT CORPORATION ONE MICROSOFT WAY REDMOND, WA 98052-6399			Chief Financial Officer	

## Signatures

Keith R. Dolliver, Attorney-in-fact for Christopher P. Liddell  
 Signature: \_\_\_\_\_ Date: 08/31/2006

\_\_Signature of Reporting Person

Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
  - (1) Represents shared performance stock award (SPSA) granted in May 2005 for a 3-year performance period that ended on June 30, 2006. The number of shares is based on the achievement of pre-defined performance criteria. One-third of the SPSA vested on and was distributed to the reporting person on August 31, 2006, an additional one-third shall vest and be distributed to the reporting person on each of August 31, 2007 and August 31, 2008, provided that the reporting person remains continuously employed through the applicable vesting date.
  - (2) 1-for-1
  - (3) Performance right converted into shared performance stock award. This performance right was previously reported as a 33% minimum of the target performance metrics established for a 3-year performance period that ended on June 30, 2006.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.