

GATES WILLIAM H III
 Form 4
 August 10, 2006

FORM 4

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

OMB APPROVAL

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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 *
GATES WILLIAM H III

(Last) (First) (Middle)

ONE MICROSOFT WAY

(Street)

REDMOND, WA 98052

(City) (State) (Zip)

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

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

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)

Chairman of the Board

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 Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|
| | | | Code | V | Amount (A) or (D) Price | | |
| Common Stock | 08/08/2006 | | S | | 16,454 D \$ 24.34 | D | 958,172,424 |
| Common Stock | 08/08/2006 | | S | | 8,200 D \$ 24.339 | D | 958,164,224 |
| Common Stock | 08/08/2006 | | S | | 2,800 D \$ 24.337 | D | 958,161,424 |
| Common Stock | 08/08/2006 | | S | | 50,600 D \$ 24.33 | D | 958,110,824 |
| Common Stock | 08/08/2006 | | S | | 8,700 D \$ 24.328 | D | 958,102,124 |

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| | | | | | | | |
|--------------|------------|---|--------|---|-----------|-------------|---|
| Common Stock | 08/08/2006 | S | 58,700 | D | \$ 24.32 | 958,043,424 | D |
| Common Stock | 08/08/2006 | S | 4,800 | D | \$ 24.315 | 958,038,624 | D |
| Common Stock | 08/08/2006 | S | 21,300 | D | \$ 24.31 | 958,017,324 | D |
| Common Stock | 08/08/2006 | S | 5,300 | D | \$ 24.303 | 958,012,024 | D |
| Common Stock | 08/08/2006 | S | 2,500 | D | \$ 24.302 | 958,009,524 | D |
| Common Stock | 08/08/2006 | S | 4,900 | D | \$ 24.301 | 958,004,624 | D |
| Common Stock | 08/08/2006 | S | 7,588 | D | \$ 24.3 | 957,997,036 | D |
| Common Stock | 08/08/2006 | S | 9,000 | D | \$ 24.295 | 957,988,036 | D |
| Common Stock | 08/08/2006 | S | 6,300 | D | \$ 24.294 | 957,981,736 | D |
| Common Stock | 08/08/2006 | S | 8,000 | D | \$ 24.293 | 957,973,736 | D |
| Common Stock | 08/08/2006 | S | 2,100 | D | \$ 24.291 | 957,971,636 | D |
| Common Stock | 08/08/2006 | S | 2,100 | D | \$ 24.29 | 957,969,536 | D |
| Common Stock | 08/08/2006 | S | 4,200 | D | \$ 24.281 | 957,965,336 | D |
| Common Stock | 08/08/2006 | S | 8,000 | D | \$ 24.28 | 957,957,336 | D |
| Common Stock | 08/08/2006 | S | 24,000 | D | \$ 24.279 | 957,933,336 | D |
| Common Stock | 08/08/2006 | S | 21,600 | D | \$ 24.274 | 957,911,736 | D |
| Common Stock | 08/08/2006 | S | 10,400 | D | \$ 24.269 | 957,901,336 | D |
| Common Stock | 08/08/2006 | S | 2,000 | D | \$ 24.23 | 957,899,336 | D |

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

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

| 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 Securities (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Number of Derivative Securities Owned Following Reporting Transaction (Instr. 6) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--|---|
| | | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|-----------------------|-------|
| | Director | 10% Owner | Officer | Other |
| GATES WILLIAM H III ONE MICROSOFT WAY REDMOND, WA 98052 | X | | Chairman of the Board | |

Signatures

William H. Gates III By: /s/ Michael Larson*,
Attorney-In-Fact 08/10/2006

__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) In addition, there are 425,066 shares owned by reporting person's spouse. The reporting person disclaims beneficial ownership of these securities, and this report shall not be deemed an admission that the reporting person is the beneficial owner of the securities for purpose of Section 16 or for any other purposes.

Remarks:

* Duly authorized under Special Power of Attorney appointing Michael Larson attorney-in-fact, dated February 3, 2006, by and

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