

PROSPECTUS

MICROSOFT CORPORATION
323,020 Common Shares
Par Value of \$.00005 Per Share

This Prospectus relates to up to 323,020 shares of common stock (the "Shares") of Microsoft Corporation, a Washington corporation ("Microsoft"), which may be offered from time to time by the selling shareholders named herein (the "Selling Shareholders"). Microsoft will not receive any of the proceeds from the sale of the Shares. Microsoft will bear the costs relating to the registration of the Shares estimated to be approximately \$19,020.

The Shares are registered as a result of the merger (the "Merger") of Microsoft with eShop Inc., a California corporation ("eShop"). Pursuant to the Merger, Microsoft agreed to register the Shares received by each Selling Shareholder in connection with the Merger. In an agreement related to the Merger, each Selling Shareholder entered into an investment agreement with Microsoft (the "Investment Agreement"). The Investment Agreement limits the amount of Shares the Selling Shareholder may sell until July 15, 1997.

Microsoft has been advised by each Selling Shareholder that, subject to the terms of the Investment Agreement, the Selling Shareholder expects to offer his, her, or its Shares to or through brokers and dealers and underwriters to be selected by the Selling Shareholder from time to time. In addition, the Shares may be offered for sale through the Nasdaq Stock Market, in the over-the-counter market, through a market maker, in one or more private transactions, or a combination of such methods of sale, at prices and on terms then prevailing, at prices related to such prices, or at negotiated prices. Each Selling Shareholder may pledge all or a portion of the Shares owned by him or her as collateral in loan transactions. Upon default by such a Selling Shareholder the pledgee in such loan transaction would have the same rights of sale as the Selling Shareholder under this Prospectus. The Selling Shareholder also may enter into exchange traded listed option transactions which require the delivery of the Shares listed hereunder. Subject to the terms of the Investment Agreement, each Selling Shareholder may also transfer Shares owned by him, her, or it in other ways not involving market makers or established trading markets, including directly by gift, distribution, or other transfer without consideration, and upon any such transfer the transferee would have the same rights of sale as such Selling Shareholder under this Prospectus. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 of the Securities Act of 1933, as amended (the "1933 Act"), may be sold under Rule 144 rather than pursuant to this Prospectus. Finally, each Selling Shareholder and any brokers and dealers through whom sales of the Shares are made may be deemed to be "underwriters" within the meaning of the 1933 Act, and the commissions or discounts and other compensation paid to such persons may be regarded as underwriters' compensation.

The Shares are traded on the Nasdaq Stock Market. The average of the high and low prices of the Shares as reported on the Nasdaq Stock Market on July 11, 1996 was \$116.0625 per Share.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is August 14, 1996.

All of the securities to be registered hereby are to be offered for the account of security holders.

AVAILABLE INFORMATION

Microsoft is subject to the informational requirements of the Securities Exchange Act of 1934 and files reports and other information with the Securities and Exchange Commission (the "Commission") in accordance therewith. Such reports, proxy statements, and other information filed by Microsoft are available for inspection and copying at the public reference facilities of the Commission at Room 1024, 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549, and at the Commission's Regional Offices located at Room 1028, Jacob K. Javits Federal Building, 26 Federal Plaza, New York, New York 10278 and Room 3190, Kluczynski Federal Building, 230 South Dearborn Street, Chicago, Illinois 60604. Copies of such material may be obtained by mail from the Public Reference Section of the Commission at 450 Fifth St., N.W., Judiciary Plaza, Washington, D.C. 20549, at prescribed rates. Microsoft's Shares are listed on the Nasdaq Stock Market. In addition to the addresses listed above, reports, proxy statements, and other information concerning Microsoft can be inspected at the offices of the Nasdaq Stock Market.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The following documents filed by Microsoft with the Commission are incorporated by reference in this Prospectus:

1. Microsoft's Annual Report on Form 10-K for the year ended June 30, 1995.
2. Microsoft's Proxy Statement dated September 25, 1995.
3. Microsoft's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.
4. Microsoft's Quarterly Report on Form 10-Q for the quarter ended December 31, 1995.
5. Microsoft's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996.
6. The description of the Common Stock of Microsoft which is contained in the registration statement of Microsoft filed on Form S-4, dated February 17, 1995.

All documents filed by Microsoft pursuant to Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the Shares offered hereby shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof.

Microsoft hereby undertakes to provide without charge to each person to whom this Prospectus has been delivered, upon the written or oral request of any such person, a copy of any and all of the foregoing documents incorporated herein by reference (other than exhibits to such documents which are not specifically incorporated by reference into the information that this Prospectus incorporates). Written or telephone requests should be directed to Investor Relations Department, Microsoft Corporation, One Microsoft Way, Redmond, Washington 98052-6399, telephone number (206) 882-8080.

No dealer, salesman, or any other person has been authorized to give any information or to make any representation not contained in this Prospectus, and, if given or made, such information and representation must not be relied upon as having been authorized by Microsoft. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any state to any person to whom it is unlawful to make such offer in such state. Neither the delivery of this Prospectus nor any sales made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Microsoft since the date hereof.

This Prospectus constitutes a part of a Registration Statement which Microsoft has filed with the Commission under the 1933 Act, with respect to the Shares. This Prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement and related Exhibits thereto for further information with respect to Microsoft and the securities offered hereby. Such additional information can be obtained from the Commission's office in Washington, D.C. Any statements contained herein concerning the provisions of any documents are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. Each such statement is qualified in its entirety by such reference.

THE COMPANY

Microsoft Corporation, a Washington corporation, has its principal executive offices at One Microsoft Way, Redmond, Washington 98052-6399, telephone number (206) 882-8080. Microsoft was founded as a partnership in 1975 and was incorporated in 1981. Microsoft develops, manufactures, licenses, sells, and supports a wide range of software products, including operating system platforms for personal computers (PCs), workstations, and servers; business and consumer applications for productivity, reference, education, and entertainment; and development tools. Microsoft also offers an online service, sells personal computer books and input devices, and is engaged in the research and potential development of advanced technology software products. Microsoft's products are available for 16-bit and 32-bit microcomputers, including AST Research, Acer, Apple, Digital Equipment Corporation, Dell, Compaq, Gateway 2000, Hewlett-Packard, International Business Machines (IBM), NEC, Olivetti, Packard Bell, and Toshiba. Microsoft develops most of its software products internally using proprietary development tools and methodology. Microsoft markets and distributes its products domestically and internationally through the original equipment manufacturer ("OEM") channel and through the finished goods channels primarily by means of independent distributors and resellers.

SELLING SHAREHOLDERS

All of the Shares described in this Prospectus will be owned immediately after registration by the individuals listed below. All of the shares offered below were acquired in connection with the Merger. Certain of the Selling Shareholders, indicated below with an asterisk (*), have recently become employees of Microsoft, but otherwise, the Selling Shareholders have no material relationship with Microsoft.

Name of Selling Shareholders (1)	Microsoft Shares Owned Prior to Offering	Received from Microsoft	Shares Owned (2)
Kursh, Elroy D	0	3,769	3,769
Kursh, Deanna C	0	3,230	3,230
Merrill, Pickard, Anderson	0	29,866	29,866
MPAE V Affiliates Fund LP	0	1,248	1,248
Technology Venture Investors-IV, L.P. (3)	0	56,225	56,225
Oak Investment Partners V, L.P.	0	39,569	39,569
Nippon Enterprise Dev.	0	9,864	9,864
Oak V Affiliates Fund, L.P.	0	890	890
General Electric Capital Corporation	0	69,013	69,013
Leasing Technologies International, Inc.	0	273	273
AT&T	0	16,430	16,430
Axelrod, Josh*	0	1,017	1,017
Blinn, Arnold*	0	14,742	14,742
Buechler, Kurt*	0	1,915	1,915
Cohen, Michael*	0	1,174	1,174
Craig, Brian*	0	989	989
Hodges, Avril	0	830	830

Kursch, Matt	0	23,005	23,005
Levinger, Deborah*	0	511	511
Lorton, Michael*	0	574	574
MacInnis, Andrew	0	1,127	1,127
Poole, Will*	0	15,106	15,106
Samaniego, Charlene*	0	128	128
Stein, Greg*	0	12,763	12,763
Weinstein, Jonathan*	0	1,255	1,255
Solomon, Michael	0	1,277	1,277
Flaa, Jennifer	0	172	172
Gonzales, Michael	0	241	241
Katz, Steven	0	426	426
Kursh, Franci	0	396	396
Nugent, Mason	0	61	61
Omidyar, Pierre	0	10,335	10,335
Peterson, Steve	0	3,112	3,112
Podell, Jack	0	176	176
Purnaveja, Audi	0	749	749
Stephen, Craig	0	562	562
Total	0	323,020	323,020

(1) None of the Selling Shareholders held any office with Microsoft during the last three years.

(2) All amounts are less than 1% of the issued and outstanding shares of common stock of Microsoft.

(3) David F. Marquardt is a general partner of TVI Management-4, L.P., which is the general partner of Technology Venture Investors-4, L.P. Mr. Marquardt is a member of Microsoft's Board of Directors. In addition, a number of the limited partners of TVI Management-4, L.P. have relationships with Microsoft. These include William H. Gates III, Jon A. Shirley, and Paul Allen, all members of Microsoft's Board of Directors, and Steven A. Ballmer, who is the Executive Vice President, Sales and Support of Microsoft.

LEGAL MATTERS

The validity of the Shares offered hereby will be passed upon for Microsoft by Preston Gates & Ellis, 5000 Columbia Center, 701 Fifth Avenue, Seattle, Washington 98104. Attorneys who are partners or employed by Preston Gates & Ellis who have provided advice with respect to the Merger in the aggregate own less than 50,000 Shares.

EXPERTS

The consolidated financial statements of Microsoft as of June 30, 1995, and 1994 and for each of the three years in the period ended June 30, 1995, incorporated by reference in this Prospectus from Microsoft's Annual Report on Form 10-K, have been audited by Deloitte & Touche LLP, independent public accountants, as stated in their report which is incorporated herein by reference, and have been so incorporated in reliance upon such report given upon the authority of said firm as experts in accounting and auditing.

DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Article XII of Microsoft's Restated Articles of Incorporation authorizes Microsoft to indemnify any present or former director, officer, employee, or agent of Microsoft, or a person serving in a similar post in another organization at the request of Microsoft, against expenses, judgments, fines, and amounts paid in settlement incurred by him in connection with any threatened, pending, or completed action, suit, or proceeding, whether

civil, criminal, administrative, or investigative, to the fullest extent not prohibited by the Washington Business Corporation Act, public policy or other applicable law. Chapter 23B.08.510 and .570 of the Washington Business Corporation Act authorizes a corporation to indemnify its directors, officers, employees, or agents in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities (including provisions permitting advances for expenses incurred) arising under the 1933 Act.

Insofar as indemnification for liabilities arising under the 1933 Act may be permitted to directors, officers, or persons controlling the registrant pursuant to the foregoing provisions, the Registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the 1933 Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the 1933 Act and will be governed by the final adjudication of such issue.