

MICROSOFT CORP
Form 11-K
March 27, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

- x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2008
- .. **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Transition Period From _____ to _____

Commission File Number 0-14278

- A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
MICROSOFT CORPORATION 2003 EMPLOYEE STOCK PURCHASE PLAN
- B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:
Microsoft Corporation
One Microsoft Way
Redmond, Washington 98052-6399

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Microsoft Corporation

2003 Employee Stock

Purchase Plan

Financial Statements as of December 31, 2008 and
2007, and for Each of the Three Years in the Period
Ended December 31, 2008, and Report of
Independent Registered Public Accounting Firm

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**MICROSOFT CORPORATION
2003 EMPLOYEE STOCK PURCHASE PLAN**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Plan Administrator

Microsoft Corporation

2003 Employee Stock Purchase Plan

Redmond, Washington

We have audited the accompanying statements of net assets available for benefits of the Microsoft Corporation 2003 Employee Stock Purchase Plan (the Plan) as of December 31, 2008 and 2007, and the related statements of changes in net assets for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Plan's Administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2008 and 2007, and the changes in net assets for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Seattle, Washington

March 24, 2009

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MICROSOFT CORPORATION
2003 EMPLOYEE STOCK PURCHASE PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS Cash	\$ 10,669,106	\$ 5,275,077
LIABILITIES Payable to participants	10,668,945	5,274,559
NET ASSETS AVAILABLE FOR BENEFITS	\$ 161	\$ 518

See notes to financial statements.

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MICROSOFT CORPORATION
2003 EMPLOYEE STOCK PURCHASE PLAN
STATEMENTS OF CHANGES IN NET ASSETS
THREE YEARS ENDED DECEMBER 31, 2008

	2008	2007	2006
ADDITIONS Employee contributions	\$ 489,233,640	\$ 460,187,597	\$ 420,368,007
DEDUCTIONS:			
Cost of shares purchased	478,565,052	454,913,121	415,987,382
Payable to participants	10,668,945	5,274,559	4,380,372
Net deductions	489,233,997	460,187,680	420,367,754
CHANGES IN ASSETS AVAILABLE FOR BENEFITS	(357)	(83)	253
ASSETS AVAILABLE FOR BENEFITS:			
Beginning of year	518	601	348
End of year	\$ 161	\$ 518	\$ 601

See notes to financial statements.

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MICROSOFT CORPORATION
2003 EMPLOYEE STOCK PURCHASE PLAN
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2008 AND 2007, AND FOR EACH OF THE
THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2008

1. THE PLAN

General The Plan Administrator believes the Plan meets the qualification standards of Section 423 of the Internal Revenue Code of 1986. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974.

The Plan covers substantially all employees of Microsoft Corporation (the Company) who are considered regular employees of the Company, whose hire date is before the first business day of the offering period, and where customary employment is for more than five months in any calendar year.

Contributions Participants may make contributions to the Plan through payroll deductions (not exceeding 15% of their compensation) for the purpose of purchasing the Company's common stock. The Plan operates with separate consecutive three-month periods with the following offering dates: July 1, October 1, January 1, and April 1. The Plan will continue to operate in this manner until such time as the Plan is amended or terminated (see Note 2).

Share Purchase and Withdrawals Participants are granted the option to purchase shares of the Company's common stock from the Company at 90% of the fair market value on the last business day of the three-month periods ending March 31, June 30, September 30 and December 31. If, prior to the end of any period, a participant elects to withdraw from the Plan or has been terminated, the Plan refunds any amounts withheld in that period plus any carryover from the previous period. Participants of the Plan purchased 20,818,394 shares, 16,774,379 shares, and 17,288,724 shares of the Company's common stock during the years ended December 31, 2008, 2007, and 2006, under the Plan, respectively. Under the Plan, 95,186,453 shares are reserved for future issue. Refunds from participant withdrawals have not been significant. The maximum number of shares that will be offered under the Plan is 200,000,000.

Payable to Participants Payable to participants represents cash in participant accounts that was contributed to the Plan greater than the cost of the maximum number of shares allowed to be purchased in a three-month period (see Limitations). All such amounts will be refunded to participants from the Plan and as such are not included in net assets available for benefits.

Limitations Employees owning shares representing 5% or more of the total combined voting power or value of all classes of shares of the Company are not permitted to subscribe for any shares under the Plan. Under the Plan, no participant may purchase more than 2,000 shares of stock during a three-month offering period, for a total of 8,000 shares annually. Additionally, participants are prohibited from purchasing shares through the Plan with an aggregate fair market value in excess of \$25,000 in any one calendar year.

Plan Administration All expenses for Plan administration are paid by the Company and are not reflected in the accompanying financial statements.

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2. TERMINATION OF THE PLAN

The Plan shall terminate at the earliest of the following:

December 1, 2012

The date of the filing of a Statement of Intent to Dissolve by the Company or the effective date of a merger or consolidation (except with a related company) where the Company is not to be the surviving corporation

The date the Board acts to terminate the Plan

The date when all shares reserved under the Plan have been purchased.

In the event of a dissolution, merger, or acquisition, the Company may permit a participating employee to exercise options to the extent that employee payroll deductions have accumulated. In the event of termination, Plan assets will be distributed to the participants.

3. PLAN ASSETS

The Plan's cash is maintained by the Company on behalf of the Plan.

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SIGNATURES

The Plan. Pursuant to the requirements of the Securities and Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Microsoft Corporation 2003 Employee Stock Purchase Plan

/s/ J. Ritchie

J. Ritchie

Corporate VP, Compensation & Benefits

Date: March 24, 2009

Member of 2003 Employee Stock Purchase Plan Committee