

MICROSOFT CORP
 Form 5
 July 08, 2005

FORM 5

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

OMB APPROVAL

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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).
 Form 3 Holdings Reported Form 4 Transactions Reported

ANNUAL 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

1. Name and Address of Reporting Person *
COLE DAVID WAYNE

 (Last) (First) (Middle)

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)
 Senior Vice President

ONE MICROSOFT WAY

 (Street)

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)
06/30/2005

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

6. Individual or Joint/Group Reporting (check applicable line)

REDMOND, WA 98052-6399

Form Filed by One Reporting Person
 Form Filed by More than One Reporting Person

(City) (State) (Zip)

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)	(A) or (D)	Price	5. Amount of Securities Beneficially Owned at end of Issuer's Fiscal Year (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	Â	Â	Â	Â	Â	Â	50,188 ⁽¹⁾	D	Â
Common Stock	Â	Â	Â	Â	Â	Â	20	I	By dependent child
Common Stock	Â	Â	Â	Â	Â	Â	20	I	By dependent child
	Â	Â	Â	Â	Â	Â	20	I	

Common
Stock

By
dependent
child

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

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(9-02)

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 Security (Instr. 3 and 4)
					(A) (D)	Date Exercisable Expiration Date	Title Am Nur Sha
Performance Rights	\$ 0 ⁽²⁾	^	^	^	^ ^	08/31/2006 ⁽³⁾ 08/31/2008	Common Stock 7
Employee Stock Option (right to buy) #083960	\$ 6.2227 ⁽⁶⁾	^	^	^	^ ^	11/15/2004 07/15/2006	Common Stock 1,0
Employee Stock Option (right to buy) #0285155	\$ 25.1438 ⁽⁷⁾	^	^	^	^ ^	08/20/2005 ⁽⁸⁾ 02/20/2011	Common Stock 1,
Employee Stock Option (right to buy) #0364058	\$ 21.591 ⁽⁹⁾	^	^	^	^ ^	07/31/2005 ⁽¹⁰⁾ 07/31/2012	Common Stock 6

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
COLE DAVID WAYNE ONE MICROSOFT WAY REDMOND, WA 98052-6399	^	^	^ Senior Vice President	^

Signatures

Keith R. Dolliver, Attorney-in-Fact for David
W. Cole

07/08/2005

__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) Includes an increase to the existing 2002, 2003 and 2004 stock awards in the aggregate of 2,600 shares in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
- (2) 1-for-1
One-third of the number of shares of common stock ultimately awarded under the shared performance stock award ("SPSA") will be distributed to the reporting person on or about August 31, 2006 (the "initial vest date"), an additional one-third shall vest and be distributed to the reporting person on each of the first and second anniversaries of the initial vest date, provided that the Reporting Person remains continuously employed through the applicable vesting date.
- (3) Represents an increase in the minimum number of shares of common stock issuable under the SPSA for the fiscal 2004-2006 performance period in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
The number of shares ultimately received depends on the company's performance against specified performance targets. At the end of the performance period, the number of shares of stock and stock awards will be determined by adjusting upward or downward from a target in a range between 33% and 150%. The number reported herein is based on the 33% minimum. The final performance percentage on which the payout will be based, considering company performance metrics established for the performance period, will be determined by the board or a board committee in its sole discretion. Shares of stock are issued at the end of the performance period and as the stock awards vest over the following two years, provided that the reporting person remains continuously employed through the applicable vest date.
- (4) This option was previously reported as an option covering 979,200 shares at an exercise price of \$6.9161 per share and has been adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
- (5) This option was previously reported as an option covering 1,000,000 shares at an exercise price of \$27.9375 per share and has been adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
- (6) 833,333 shares are vested and immediately exercisable, 138,889 shares will vest and become exercisable on each of August 20, 2005 and February 20, 2006.
- (7) This option was previously reported as an option covering 600,000 shares at an exercise price of \$23.99 per share and has been adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
250,000 shares are vested and immediately exercisable, 83,333 shares will vest and become exercisable on each of July 31, 2005 and
- (8) January 31, 2006, 83,334 shares will vest and become exercisable on July 31, 2006, 83,333 shares will vest and become exercisable on January 31, 2007, and 83,334 shares will vest and become exercisable on July 31, 2007.

Note: File three copies of this Form, one of which must be manually signed. If space provided 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.