

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 *
SMITH BRADFORD L
 (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)

ONE MICROSOFT WAY
 (Street)

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

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

REDMOND, WA 98052-6399
 (City) (State) (Zip)

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

6. Individual or Joint/Group Reporting
 (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 at end of Issuer's Fiscal Year (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
Common Stock	06/16/2005		G	6,000 D \$0	57,866 ⁽¹⁾	D	

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

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SEC 2270 (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)		
					(A) (D)	Date Exercisable	Expiration Date	Title	Am Nun Sha
Performance Rights	\$ 0 ⁽²⁾	Â	Â	Â	Â Â	08/31/2006 ⁽³⁾	08/31/2008	Common Stock	8
Employee Stock Option (right to buy) #0132866	\$ 24.1313 ⁽⁶⁾	Â	Â	Â	Â Â	11/15/2004	07/02/2008	Common Stock	2
Employee Stock Option (right to buy) #0163175	\$ 38.6157 ⁽⁷⁾	Â	Â	Â	Â Â	11/15/2004	07/30/2006	Common Stock	1
Employee Stock Option (right to buy) #0170956	\$ 40.7813 ⁽⁸⁾	Â	Â	Â	Â Â	03/06/2005	03/06/2010	Common Stock	6
Employee Stock Option (right to buy) #0177510	\$ 29.9813 ⁽⁹⁾	Â	Â	Â	Â Â	11/15/2004	04/24/2007	Common Stock	1
Employee Stock Option (right to buy) #0203625	\$ 29.9813 ⁽¹⁰⁾	Â	Â	Â	Â Â	04/24/2005	04/24/2010	Common Stock	3
Employee Stock Option (right to buy) #0285336	\$ 25.1438 ⁽¹¹⁾	Â	Â	Â	Â Â	08/20/2005 ⁽¹²⁾	02/20/2011	Common Stock	3
Employee Stock Option (right to buy) #0314921	\$ 30.177 ⁽¹³⁾	Â	Â	Â	Â Â	12/10/2005 ⁽¹⁴⁾	12/10/2011	Common Stock	1,

Reporting Owners

Reporting Owner Name / Address

Relationships

Reporting Owners

Director	10% Owner	Officer	Other
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SMITH BRADFORD L
 ONE MICROSOFT WAY Â Â Â Senior Vice President Â
 REDMOND,Â WAÂ 98052-6399

Signatures

Keith R. Dolliver, Attorney-in-Fact for Bradford L.
 Smith

07/05/2005

**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 505 shares acquired on March 31, 2005 and 475 shares acquired on June 30, 2005 under the Microsoft employee stock purchase plan. Also includes an increase to the existing 2002, 2003 and 2004 stock awards in the aggregate of 2,707 shares in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
 - (2) 1-for-1
 - (3) 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.
 - (4) 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.
 - (6) This option was previously reported as an option covering 120,000 shares at an exercise price of \$53.625 per share, and has been adjusted as a result of a 2-for-1 stock split on February 14, 2003. The option has been further adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
 - (7) This option was previously reported as an option covering 4,800 shares at an exercise price of \$85.8125 per share, and has been adjusted as a result of a 2-for-1 stock split on February 14, 2003. The option has been further adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
 - (8) This option was previously reported as an option covering 300,000 shares at an exercise price of \$90.625 per share, and has been adjusted as a result of a 2-for-1 stock split on February 14, 2003. The option has been further adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
 - (9) This option was previously reported as an option covering 4,800 shares at an exercise price of \$66.625 per share, and has been adjusted as a result of a 2-for-1 stock split on February 14, 2003. The option has been further adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
 - (10) This option was previously reported as an option covering 150,000 shares at an exercise price of \$66.625 per share, and has been adjusted as a result of a 2-for-1 stock split on February 14, 2003. The option has been further adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
 - (11) This option was previously reported as an option covering 150,000 shares at an exercise price of \$55.875 per share, and has been adjusted as a result of a 2-for-1 stock split on February 14, 2003. The option has been further adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
 - (12) 249,999 shares are vested and immediately exercisable, 41,667 shares vest and become exercisable on each of August 20, 2005 and February 20, 2006.

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- (13) This option was previously reported as an option covering 500,000 shares at an exercise price of \$67.06 per share, and has been adjusted as a result of a 2-for-1 stock split on February 14, 2003. The option has been further adjusted in connection with the \$3.00 special dividend paid to shareholders of record on November 17, 2004.
- (14) 694,444 shares are vested and immediately exercisable, 138,889 shares vest and become exercisable on each of December 10, 2005, June 10, 2006, and December 10, 2006.

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.