

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

SCHEDULE 13G

INFORMATION STATEMENT PURSUANT TO RULES 13d-1 AND 13d-2
UNDER THE SECURITIES EXCHANGE ACT OF 1934

(AMENDMENT NO.)*

Microsoft Corporation
(NAME OF ISSUER)

2 3/4% Convertible Exchangeable Series A Preferred Shares
(TITLE OF CLASS OF SECURITIES)

594918 20 3
(CUSIP NUMBER)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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13G

CUSIP No. 594918 20 3

(1) NAME OF REPORTING PERSON
S.S. OR I.R.S. IDENTIFICATION NO.
OF ABOVE PERSON
John A. Levin & Co., Inc.
13-3134273

(2) CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP **

(a) []
(b) [x]

(3) SEC USE ONLY

(4) CITIZENSHIP OR PLACE OF ORGANIZATION
Delaware

NUMBER OF (5) SOLE VOTING POWER
SHARES 21,050

BENEFICIALLY (6) SHARED VOTING POWER
OWNED BY 364,200

EACH (7) SOLE DISPOSITIVE POWER
REPORTING 21,050

PERSON WITH (8) SHARED DISPOSITIVE POWER
612,750

(9) AGGREGATE AMOUNT BENEFICIALLY OWNED
BY EACH REPORTING PERSON
633,800

(10) CHECK BOX IF THE AGGREGATE AMOUNT
IN ROW (9) EXCLUDES CERTAIN SHARES **

[]

(11) PERCENT OF CLASS REPRESENTED
BY AMOUNT IN ROW (9)
5.1%

(12) TYPE OF REPORTING PERSON **
IA

** SEE INSTRUCTIONS BEFORE FILLING OUT!
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CUSIP No. 594918 20 3

(1) NAME OF REPORTING PERSON
S.S. OR I.R.S. IDENTIFICATION NO.
OF ABOVE PERSON
Baker Fentress & Company
36-0767530

(2) CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP **

(a) (b)

(3) SEC USE ONLY

(4) CITIZENSHIP OR PLACE OF ORGANIZATION
Delaware

NUMBER OF (5) SOLE VOTING POWER
SHARES 21,050

BENEFICIALLY (6) SHARED VOTING POWER
OWNED BY 364,200

EACH (7) SOLE DISPOSITIVE POWER
REPORTING 21,050

PERSON WITH (8) SHARED DISPOSITIVE POWER
612,750

(9) AGGREGATE AMOUNT BENEFICIALLY OWNED
BY EACH REPORTING PERSON
633,800

(10) CHECK BOX IF THE AGGREGATE AMOUNT
IN ROW (9) EXCLUDES CERTAIN SHARES **

(11) PERCENT OF CLASS REPRESENTED
BY AMOUNT IN ROW (9)
5.1%

(12) TYPE OF REPORTING PERSON **
IC

** SEE INSTRUCTIONS BEFORE FILLING OUT!
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Schedule 13G of John A. Levin & Co., Inc. ("Levin & Co.") and Baker, Fentress & Company ("Baker Fentress") with respect to the 2 3/4% Convertible Exchangeable Series A Preferred Shares (the "Preferred Shares") of Microsoft Corporation (the "Company").

ITEM 1(a) NAME OF ISSUER:
Microsoft Corporation

ITEM 1(b) ADDRESS OF ISSUER'S PRINCIPAL EXECUTIVE OFFICES:
One Microsoft Way, Redmond, Washington 98052-6399

ITEM 2(a) NAME OF PERSON FILING:
John A. Levin & Co., Inc. ("Levin & Co.")
Baker, Fentress & Company ("Baker Fentress")

ITEM 2(b) ADDRESS OF PRINCIPAL BUSINESS OFFICE OR, IF NONE, RESIDENCE:
John A. Levin & Co., Inc. Baker, Fentress & Company
One Rockefeller Plaza 200 West Madison Street
New York, New York 10020 Chicago, Illinois 60606

ITEM 2(c) CITIZENSHIP:
Levin & Co. and Baker Fentress are each corporations organized under the laws of the State of Delaware.

ITEM 2(d) TITLE OF CLASS OF SECURITIES:
2 3/4% Convertible Exchangeable Series A Preferred Shares (the "Preferred Shares")

ITEM 2(e) CUSIP NUMBER:
594918 20 3

ITEM 3. IF THIS STATEMENT IS FILED PURSUANT TO RULES 13D-1(B), OR 13D-2(B), CHECK WHETHER THE PERSON FILING IS A:

- (a) () Broker or Dealer registered under Section 15 of the Securities Exchange Act of 1934 (the "Act")
- (b) () Bank as defined in Section 3(a)(6) of the Act
- (c) () Insurance Company as defined in Section 3(a)(19) of the Act
- (d) (X) Investment Company registered under Section 8 of the Investment Company Act of 1940
- (e) (X) Investment Adviser registered under Section 203 of the Investment Advisers Act of 1940
- (f) () Employee Benefit Plan, Pension Fund which is subject to the provisions of the Employee Retirement Income Security Act of 1974 or Endowment Fund; see Sec. 240.13d-1(b)(1)(ii)(F)
- (g) () Parent Holding Company, in accordance with Sec. 240.13d-1(b)(ii)(G) (Note: See item 7)
- (h) () Group, in accordance with Sec. 240.13d-1(b)(1)(ii)(H)

- ITEM 4. OWNERSHIP.
- (a) Amount Beneficially Owned:
633,800
 - (b) Percentage of Class:
5.1% (based on the 12,519,562 Preferred Shares reported to be outstanding by the Investor Relations Department of the Company on the date hereof).
 - (c) Number of shares as to which such person has:
 - (i) sole power to vote:
21,050
 - (ii) shared power to vote or to direct the vote:
364,200
 - (iii) sole power to dispose or to direct the disposition of:
21,050
 - (iv) shared power to dispose or to direct the disposition of:
612,750

Levin & Co., an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, as amended, holds for the accounts of its investment advisory clients, and thereby beneficially owns, within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, the foregoing shares of Preferred Shares. Baker Fentress & Company ("Baker Fentress"), a Delaware corporation and an investment company registered under the Investment Company Act of 1940, as amended, is the sole shareholder of Levin Management Co., Inc., a Delaware corporation ("Levin Management"), which is the sole shareholder of Levin & Co. Baker Fentress, therefore, may be deemed the beneficial owner of the Preferred Shares held by Levin & Co.

ITEM 5. OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS

Not applicable.

ITEM 6. OWNERSHIP OF MORE THAN FIVE PERCENT ON BEHALF OF ANOTHER PERSON

This Schedule 13G is filed by Levin & Co. and Baker Fentress with respect to Preferred Shares purchased by Levin & Co. on behalf of Levin & Co.'s investment advisory clients. Each such client has the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the securities held in such person's account. No such client has any of the foregoing rights with respect to more than five percent of the class of securities identified in Item 2(d). There is no agreement or understanding among such persons to act together for the purpose of acquiring, holding, voting or disposing of any such securities.

- ITEM 7. IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY.
Not applicable.
- ITEM 8. IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP
Not applicable.
- ITEM 9. NOTICE OF DISSOLUTION OF GROUP
Not applicable.

ITEM 10. CERTIFICATION. (if filing pursuant to Rule 13d-1(b))

By signing below, Levin & Co. and Baker Fentress certify that, to the best of their knowledge and belief, the securities referred to above were acquired in the ordinary course of business, were not acquired for the purpose of and do not have the effect of changing or influencing the control of the issuer of such securities and were not acquired in connection with or as a participant in any transaction having such purposes or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: February 14, 1997

JOHN A. LEVIN & CO., INC.

/s/ John A. Levin

John A. Levin
President

BAKER FENTRESS & COMPANY

/s/ John A. Levin

John A. Levin
President