

Rolling Stone

Three million albums, five hit singles...

Bush

Why won't anyone take **Gavin Rossdale** seriously?

P.J. O'Rourke on Pat Buchanan

PART TWO

The Fall of APPLE

By Jeff Goodell



ROCK & ROLL

THE BATTLE FOR WALDEN WOODS

By Steve Knopper 22

Don Henley had the cash and the clout to save Henry David Thoreau's beloved forest from developers. Now the preservationists who applauded Henley charge that he has betrayed their trust.

PLUS: **PULP**, 22..... **STEVE EARLE**, 34

FEATURE STORIES

NIRVANAWANNABES By Steven Daly 40

In Utero producer Steve Albini is working on their next album, and their lead singer is pals with Courtney Love. Does that make Bush a band to ridicule or one to reckon with?

SPRING STYLE *Special section follows Page 46*

DESERT BLOOM By Steve Appleford 47

With spacey rock and country ballads, Cracker reinvent themselves in the California sun.

STUPID AND CONTAGIOUS By P.J. O'Rourke 51

Patrick J. Buchanan vows to take his message all the way to the convention. Here's why America should just say no.

PLUS: **PAT'S KIDS** 51

THE RISE AND FALL OF APPLE INC.

Part 2 by Jeff Goodell 59

Twenty years ago, Apple Computer set out to change the world, and it did — at least, it changed the way the world thought about computers. Then a series of business blunders, along with a lack of vision and overweening corporate greed, brought the company to the edge of disaster.

REVIEWS

BLOWS AGAINST THE EMPIRE

By Jon Wiederborn 67

If Rage Against the Machine's first album was a call to arms, *Evil Empire*, the band's latest, is a declaration of war.

PHONE SEX, SPIKE STYLE

Movies by Peter Travers 77

In *Girl 6*, Spike Lee does the impossible: He sucks the fun out of call-in sex and replaces it with sanctimonious prattle.

PRE-TEENAGE WASTELAND

Television by David Wild 81

Forget about the so-called V-chip. We need a C-chip to block the Saturday-morning crap aimed at our TV-addicted youth.

DEPARTMENTS

CORRESPONDENCE 16

RANDOM NOTES 19

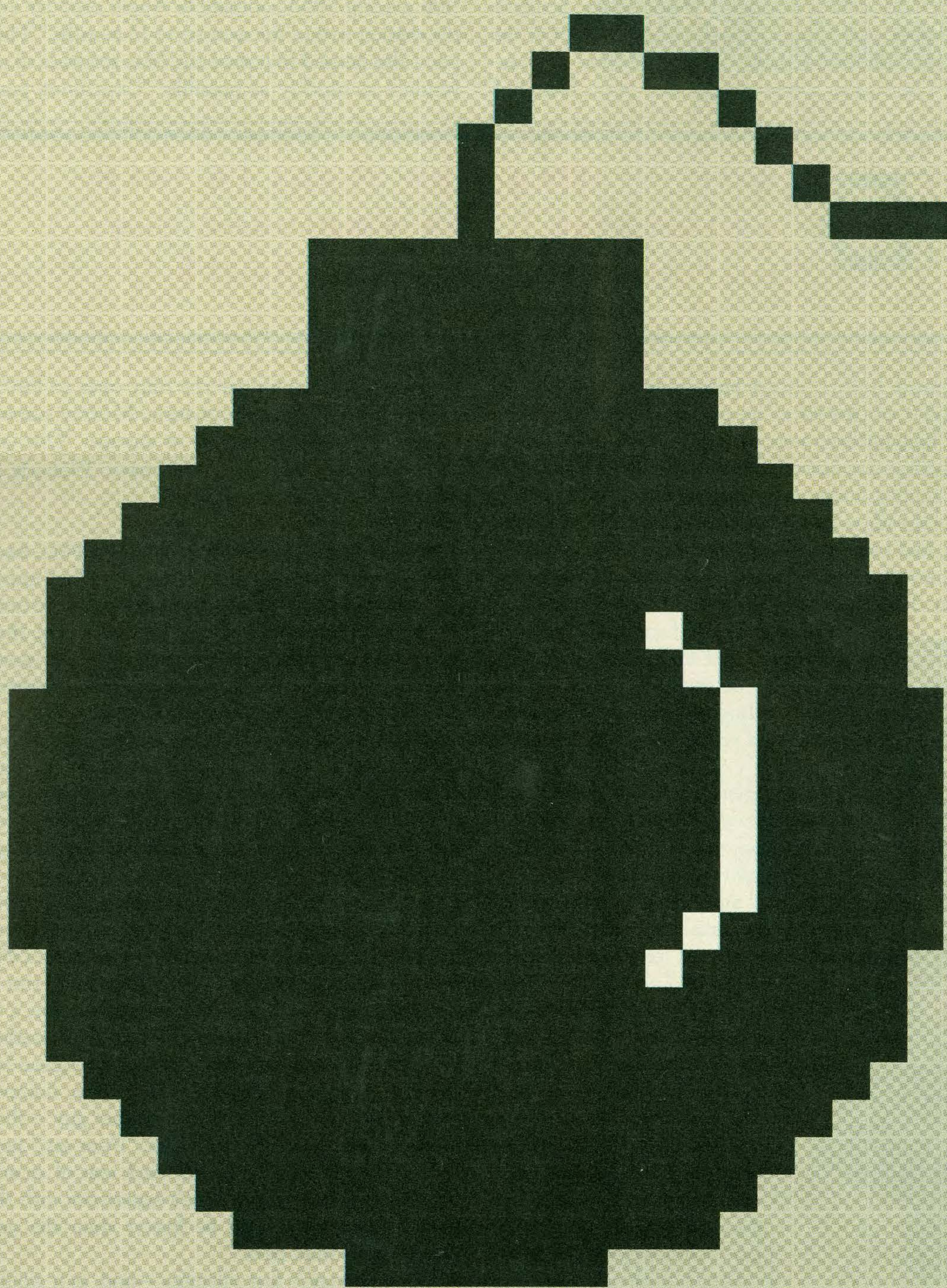
CHARTS 84

COVER: Photograph of Bush's Gavin Rossdale by Mark Seliger, Los Angeles, December 1995. Styling by Keki Mingus for Visages Style L.A. Grooming by Gina Monaci for Visages



▶ DON HENLEY PAGE 22 ▼

The Rise and Fall of Apple



PART TWO:
**THE TECHNO DREAMERS
VS. THE MARKETING PODS**
BY JEFF GOODELL

STEVE JOBS SPENDS HIS DAYS IN HIS OFFICE at NeXT Software Inc., on the edge of the San Francisco Bay in Redwood City, Calif. Jobs, 41 years old now, a father of three, has lost none of his youthful energy and little of his arrogance. It is almost 20 years to the day since he and his friend Steve Wozniak started Apple Computer, and more than 10 years since Jobs left in a bitter dispute over the direction of the company. Jobs is riding high once again; he has taken his new company, NeXT, from the brink of bankruptcy and made it one of the most talked-about software producers in Silicon Valley. His investment in Pixar Animation Studios, the company that breathed life into last fall's hit movie *Toy Story*, has paid off magnificently. When the market closed after the initial public offering of Pixar stock, Jobs' stake in the company was worth more than \$1 billion. ¶ It is the fate of his beloved Apple, however, that haunts him. From his office, where he glimpses sailboats and sea gulls playing on the bay, he has also closely watched the layoffs, the blunders, the falling stock prices, the shortsighted leadership that has brought his old company to its knees. ¶ "Apple didn't fail," Jobs says. "The trouble with Apple is it succeeded beyond its wildest dreams. We succeeded so well, we got everyone else to dream the same dream. The rest of the world became just like it. The trouble is," Jobs adds sadly, "the dream didn't evolve. Apple stopped creating." ¶ It also stopped making money. In the second week of January 1996, Apple announced a \$68 million loss for the final quarter of 1995. That was followed by the announcement of a layoff of 1,300 employees and the departure of Michael Spindler, Apple's embattled president and CEO. The company's powerful PR machine counter-attacked with full-page ads in the *New York Times* and the *Wall Street Journal*, reminding the world that 56 million people are still using Macintoshes, that the Mac is still the No. 1 computer on college campuses, that it is the authoring tool of more than 40 percent of all Internet sites and the standard-setter in desktop publishing. ¶ The false bravado fooled no one. In early

March 1996, Apple's stock price traded at a low of \$25, about half of what it had been less than a year earlier; also in March, angry shareholders filed a class action suit against the company, charging that the annual \$10 million-plus compensation for Gil Amelio, Apple's new CEO, was "wildly excessive." At the same time, Compaq Computer Corp. announced a price cut on its machines, pressuring Apple to do the same when it could least afford it. Apple's restructuring costs for the second quarter of its 1995-96 fiscal year will exceed \$125 million. "The worst is yet to come," says a recently departed top Apple executive. In a voice laced with outrage, he predicts that in the coming months Apple's stock price will drop below \$20 a share and layoffs will hit another 3,000 people. "It's going to be bloody," he says. "It's a goddamned tragedy."

MIKE MURRAY STILL REMEMBERS THE MOMENT he saw the panic. He was sitting in a conference room along with 40 or 50 colleagues in Apple's corporate headquarters, in Cupertino, Calif., wondering if his career was about to end. It was May of 1985. Sales of the Macintosh had stalled, the company's revenue was plunging, and there was talk of layoffs. For the past six months or so, Jobs had been locked in a battle for control of Apple with John Sculley, the self-effacing but steely former president of Pepsi-Cola who came to Cupertino to lend stability to this brash enterprise. Jobs may have been Apple's technological visionary, but he was a child at boardroom politics. During an executive staff meeting earlier in the day, Jobs took a gamble on an all-or-nothing power play to take back control of Apple. He lost. The news flashed across Apple's campus: Jobs was out, Sculley was in charge.

Murray figured he could live with that. He owed a lot to Jobs, but he had tangled with him enough to know that the visionary was a flawed leader. "I was committed to the idea of Apple, not to any one person," Murray says now. He had come to Apple in 1982 as a 26-year-old Stanford University MBA who didn't want to grow up to be just another suit. It was Murray as much as anyone who devised the initial marketing strategies for the Mac, engineered its smashing success on university campuses and worked on the mind-blowing "1984" commercial that ran during that year's Super Bowl.

Now, Murray waited to hear from Apple's new leader that despite all the recent turmoil, Apple would live on. When Sculley walked into the conference room, however, he looked exhausted. What struck Murray then, and what he remembers so clearly 10 years later, is not what Sculley said but the way his hand searched for a resting place on a pillar in the front of the room. After a few minutes, Murray noticed, Sculley began leaning against the pillar. As Sculley monotoned his message of reassurance and continuity, Murray became less interested in what Scul-

ley was saying than in how he was saying it. And as Sculley continued to talk, he slid deeper and deeper behind the pillar, until he almost vanished.

And that's when Murray says it hit him. "I realized that John Sculley was about to take over Apple," Murray says, "and he was scared to death."

SCULLEY HAD GOOD REASON TO BE FRIGHTENED. During the summer of 1985, Apple was in trouble almost as deep as it is in today. Sculley's battle with Jobs had knocked the wind out of the company. Macs were stacked like cordwood in warehouses. The Lisa, an overpriced big sister of the Mac, had

regarding Apple's chances for long-term survival in our industry as a leader," Murray wrote in clunky but sincere prose. "It is my observation that certain industry dynamics already in place will continue to impair our ability to achieve our goals if we remain on our present course . . . but there is still room for a few extremely bold moves, which if executed correctly by Apple in the next six months can assure our rendezvous with destiny." He suggested that Apple needed to introduce a "100 percent IBM-compatible Apple product line into the market within the next six to 12 months." The company also needed to license the Mac software to outside vendors as quickly as possible: "Continued parochial

"John Sculley was about to take over Apple," one employee says, "and he was scared to death."

been canned. In June, Apple announced it would lay off some 1,200 employees of its nearly 5,700-person work force. Three factories were shut down. The great Silicon Valley success story seemed to be on the verge of collapse.

For Sculley, these were dizzying times. His parting from Jobs, with whom he'd once felt a deep intellectual kinship, had been emotionally wrenching. Now, Sculley found himself solely responsible for leading Apple into the next decade. And unlike Jobs, who was a rebel at heart, the former Pepsi president felt little in common with the eccentrics who roamed the hallways at Apple. *How does one lead people like these? How does one gain their respect?* During particularly stressful moments, he would sometimes wander alone through the sculpture garden at Stanford University and question why he had left his comfortable life at Pepsi. "I stared up at Rodin's magnificent *Gates of Hell* and felt the agony yet beauty of this medieval epic drama," Sculley later reflected with characteristic melodrama. "The bronze relief was almost sensuous, yet it captured the human tragedy of despair. It echoed the painful, almost tragic elements of life at Apple."



SCULLEY WITH THE NEWTON PROTOTYPE, 1992

Many of the true believers at Apple smelled a rat. They snickered at the oscilloscope and chip programmer that Sculley displayed on the cre-

denza in his office. They noticed the way he would drop references to the cathode-ray tube he had designed when he was 14 years old. "He was a total poseur," says Andy Hertzfeld, one of the star Mac programmers who left shortly before Sculley took over. Hertzfeld and the others giggled at newcomers like Mike Lorelli, a young marketing executive from Playtex who became known at Apple as "the bra-and-tampon guy." To hard-core Apple loyalists it was like they were trapped in a cheesy B movie called *The Invasion of the Marketing Pods*.

On July 10, 1985, Murray wrote a private memo to Sculley and Bill Campbell, who was Apple's head of sales and marketing at the time. "I have grave concerns

vision will kill us; we are the only ones to lose."

Before offering his resignation, Murray summed up Apple's predicament as well as anyone: "Our vision is in fine shape. That's the good news. Nobody knows what it is. That's the bad news."

DURING THIS CRISIS, SCULLEY FELL BACK ON what he knew best. One of his first moves was to begin a bold campaign for what he called the New Apple. Like Coca-Cola Classic, this campaign was about new packaging, not new products. Sculley toured Wall Street, reassuring investors and analysts that Apple now had a strong, mature leader who was going to whip the company into shape. He promptly fired Apple's longtime advertising firm, Chiat/Day, which had produced the groundbreaking "1984" commercial, and hired BBDO, a tamer and more respectable firm that, not coincidentally, had handled the Pepsi account during his reign.

To fill the role of techno visionary vacated by Jobs, Sculley anointed a flamboyant Frenchman, Jean-Louis Gassée, as the head of product development in 1985. Gassée, a marketing whiz who had successfully run Apple operations in France, was a cafe revolutionary, a morph of Robespierre and Alvin Toffler in black leather and pressed Levi's. His Eurotrash attire was forgiven by most of the usually cynical engineers at Apple, however, because Gassée was a hard-core hardware guy — the more powerful the machine, the better. "Pure sex," he called it. "It's like a rendezvous in the back seat of an automobile with a beautiful girl. One's experience with the personal computer should be better than the greatest orgasm you could have."

The new team's first dilemma — and, as it would turn out, Apple's most vexing dilemma — was what to do about Microsoft's chairman and CEO, Bill Gates. On June 25, 1985, at the height of the crisis at Apple, Gates sent a note to Sculley and Gassée that contained a startling proposition: Apple should consider licensing its operating system software to outsiders. Gates offered a list of companies, from AT&T to Xerox to Hewlett-Packard, that he would help to convince that Apple technology was the way to go. A month later, on July 29, he sent a second letter, naming three companies that would likely be receptive — perhaps with a little prodding from Microsoft — to Apple's technology.

"We all knew these memos were more than just friendly advice," says a former Apple executive. The more machines that ran Mac software, the more Microsoft ap-

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applications Gates could sell. And there were other reasons to be wary. If Apple licensed its software — what Gassée called the company's crown jewels — then what was to prevent others from making better, cheaper versions of it? Microsoft had already done that with IBM's PC-DOS. And now, IBM was in danger of losing its hold on the market.

In addition, Sculley and other Apple executives were already unhappy with Windows 1.0, Microsoft's new operating system with a graphical user interface. Even at a glance, Windows had a striking number of similarities with the Mac: a command bar at the top of the screen, pull-down menus, a Mac-like calculator, control panel and icons. Windows 1.0 was lame in many ways — the windows didn't overlap, the graphics were crude. But there was little doubt that Bill Gates was intent on building a wannabe Mac for the vast PC market.

Or at least that's what Apple's lawyers believed. They told Gates to change Windows 1.0 or they were going to sue.

"Gates hit the roof," says a lawyer who was involved in the case. Microsoft's chairman immediately phoned Sculley and demanded that he call off the lawyers or Microsoft would stop developing software for the Macintosh. The two set up a meeting at the Apple campus the following week.

For Sculley, this showdown with Gates was portentous. Even back in 1985, it was becoming clear that computers were essentially expensive boxes that delivered the software inside. The software is the soul of a computer; it gives the machine its look and feel. At Apple, it was an article of faith that cool hardware and cool software were inseparable. They are designed together, so they work better together — it's one reason Apples have always been so easy to use. Profit is another motive: Why sell an operating system software for \$100 like Gates did when you could wrap it in hardware and sell it for \$2,000?

Microsoft's business model was a direct challenge to this idea. Gates didn't give a shit about hardware. He plucked out the gem inside — the software. It could be expensive to develop, but it was infinitely renewable. And if it was a hit, it could be extremely profitable.

If Sculley gave in to Gates' threat, Apple would jeopardize any claim to intellectual property rights (which was still a new idea in those days) to the Mac interface. On the other hand, if Sculley called Gates' bluff, that could strike a blow to the already tottering sales of the Mac. To succeed, the Mac needed software more than anything else, and Microsoft was a key supplier. If Gates stopped developing applications, or even delayed them for a few months, it could fatally damage Apple's only hope for the future. But would Gates really give up the lucrative market for Mac software to make a point?

When Gates arrived on the Apple campus, "he was prepared to go after Sculley head-on," says one attendee of the meeting. But the encounter was surprisingly undramatic. Apple laid out a lavish spread of sushi (which appalled the tightwad Gates). "What I'm really asking

for, Bill, is a good relationship," Gates recalled Sculley telling him. Remarkably, the only significant concession Sculley sought in exchange for dropping the lawsuit was a promise that Gates would delay shipping a Windows version of Excel, a business spreadsheet for the PC. Sculley believed the delay would give the Mac a better chance to get established in the business market. In exchange, Apple would agree to allow Microsoft to use Mac technology in Windows (in later years, there would be much

debate over whether that meant just Windows 1.0 or all subsequent versions of Windows). On Nov. 22, Gates and Sculley signed a three-page agreement granting Microsoft a "nonexclusive, worldwide, royalty-free, perpetual, nontransferable license to use these derivative works in present and future software programs, and to license them to and through third parties for use in their software programs."

Apple got duped. In exchange for a brief delay in the release of a software program, it had effectively handed Microsoft the right to copy what would turn out to be Apple's most valuable possession — the look and feel of Mac software.

"We didn't realize we'd signed an agreement that would jeopardize our rights in the future," says Sculley, who is now the head of Live Picture, a small multimedia company based in Soquel, Calif. "Our lawyers weren't good enough. We never had any intention of giving Microsoft the rights on anything more than version 1.0." That may indeed be true. But good intentions didn't prevent Apple's biggest blunder.



ABOVE: JOHN SCULLEY (LEFT) WITH HILARY CLINTON. BELOW: CITIZEN GATES.



AS BEFITS A COMPANY BORN IN A GARAGE, the plot for Apple's re-emergence was hatched not on John Sculley's private jet but in a beat-up old Saab driven by a then 36-year-old former newspaper editor named Paul Brainerd. Brainerd, who lived in Seattle, had in 1984 been the victim of corporate

efficiently," Brainerd says. In order to drum up business for their new venture, Brainerd and three engineering pals jumped into the Saab and took a road trip down Interstate Highway 5 from Seattle to Oregon, stopping at the offices of every podunk newspaper along the way and chatting up the publishers.

"At one point we pulled over on the freeway and called an Apple office in Beaverton, Ore.," Brainerd recalls. "It was just a spur-of-the-moment thing. We wanted to stop by and have a look at the Mac, which I had only seen at a computer show. So we went over there and met with one of the representatives. We told him about our idea of creating software for newspapers to write ads, and he listened respectfully. Then we left." Six weeks later the representative showed up on the doorstep of the studio apartment in Seattle that Brainerd was using for an office. He was carrying a Macintosh. "He said, 'Here, I liked what you guys had to say,'" Brainerd says. "Take this Mac, play with it for a few weeks, see what you think."

This representative, whose name Brainerd has forgotten, changed the newspaperman's life and very well may have saved Apple. "As soon as I started messing around with the Mac, I realized that I wasn't interested in just creating newspaper ads," Brainerd says now. "I had discovered a whole new world — desktop publishing." In the coming months, Brainerd contacted Apple and learned about its LaserWriter, which was still in development at the time but used a sophisticated page-description language called PostScript to transform printers from high-speed typewriters into powerful graphic-design tools. A little more than a year later, in July of 1985, Aldus shipped its first product, PageMaker, which allowed a user to mix pictures with text, change the sizes and styles of the fonts, add borders, columns, headlines — anything you wanted. It turned the Mac into a desktop printing press.

The Mac's killer app had arrived. PageMaker did for Apple what the spreadsheet had done for IBM clones. "People looked at the Mac and said, 'Aha! — now I see why I should buy one,'" says Bruce Blumberg, who was the product manager of the LaserWriter.

In 1987, Apple introduced the Macintosh II. It reversed Steve Jobs' notion of the Mac as an appliance and returned to the philosophy of the Apple II, which had expansion slots to allow users to add memory, video cards and other accessories. But in order to fatten up the bottom line, Apple charged the highest price it could get away with. A basic Mac II went for \$3,898; the high-end version, with 1MB of RAM and a 40MB hard drive, cost



Apple gave Microsoft the right to copy Apple's most valuable asset: The look and feel of Mac software.

downsizing at Atex, a maker of expensive computers and terminals used in the publication of many newspapers and magazines. For Brainerd it was a chance to strike out on his own. He was beginning to believe that with the right software, a desktop PC could do a job comparable to an Atex for a fraction of the price.

So in early 1984, Brainerd put his life savings on the line and started a company called Aldus, named after Aldus Manutius, a 15th-century Italian printer who is credited with producing the first inexpensive and easy-to-read books. "Initially I thought we would just create software that would help newspapers create ads more

\$5,498. So much for the idea of a computer "for the rest of us," as Jobs had sometimes put it.

At about the same time, Sculley published his autobiography, *Odyssey* (written with John A. Byrne). In florid, confessional prose, it told the tale of Sculley's journey from his privileged upbringing on Manhattan's Upper East Side to his rise at Pepsi to the triumphant turnaround at Apple. "I had been on something of a marathon journey for 20 years, working at high speeds to sharpen my physical and mental conditioning," reads one memorable sentence. "I was, in one sense, a finely honed weapon." In addition to Homeric

tales of corporate warfare, the book also spends several pages describing a futuristic device called the Knowledge Navigator, a notebook-size combination of a high-definition television, a wireless communicator and an artificially intelligent mind reader. The Knowledge Navigator was much ridiculed, but in retrospect it's a surprisingly coherent rough draft of what's going on today on the Web. At the time, however, its main purpose was to bolster Sculley's credentials as a techno visionary.

And to some extent, it worked. Sculley may have simply strapped himself into the rocket ship that Jobs had built, but his timing couldn't have been better. Apple was a Wall Street darling again. By early 1987, it was shipping 50,000 Macs a month. The stock price zoomed

a few years. The question was, What was Apple going to do about it?

Of course, this was not a new dilemma. Mike Murray had brought it up in his memo to Sculley and Campbell in July 1985. It had apparently made an impact, because a few months later, Sculley had asked an independent-minded young Stanford MBA named Dan Eilers, who was then the director of strategic investment at Apple, to make a pitch to the executive staff about software licensing. Eilers had laid out a vision for Apple for the next decade that turns out to be more or less exactly what has happened: Over time, Eilers argued, others would copy the Mac's user interface, and Apple's advantage would erode; eventually, Intel and Microsoft would unite against Apple, and

Microsoft the right to copy many of the Mac's most significant features, applied only to Windows 1.0. No way, Microsoft's attorneys replied. Apple put squads of lawyers on the case, spent millions of dollars on it and pissed off Gates royally. On top of everything else, the lawsuit — which Apple eventually lost — was bad PR: It went against the ethic of the computer industry, which had been founded on innovation and openness. It also looked more than a little hypocritical since the Mac itself had been "influenced" by Steve Jobs' famous visit to Xerox in 1979.

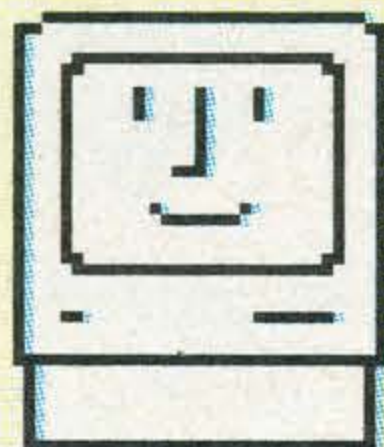
Now, in August of 1990, a group of worried Apple executives gathered to ponder the company's future. They met for two days in the boardroom on the fourth floor of De Anza 7, a boxy, glass-faced building named after Juan Bautista de Anza, a Spanish explorer who camped in the area in 1776. Sitting in red leather high-back chairs around a long hardwood table, staring up at a dizzying swirl of charts and graphs, the executives talked about a variety of issues, all of them related to one thing: the slow, inexorable march of their nemesis from the cold Northwest, Bill Gates.

It was the same old problem. But there was a new face on Apple's executive staff now. Mike Markkula, a member of Apple's board, had shaken up the ranks by orchestrating the arrival of Michael Spindler as the chief operating officer. Spindler, a prolific talker but uninspiring leader, had risen through the company in Apple's European division. Sculley was not thrilled by Spindler's arrival in Cupertino. Neither was Gassée, who had considered himself the heir apparent and was pushed out after a noisy showdown with Sculley. With Gassée gone,

Sculley decided to fill the void by appointing himself chief technical officer. Engineers all over the valley rolled their eyes — *the soda-pop guy thinks he's a hacker!* "I never pretended to have any competence in technology," Sculley explains. "I just wanted to have more control over the product line."

Well, something had to be done. During the fat, happy '80s, instead of filling the world with low-cost Macs and increasing its market share, Apple had kept prices high, concentrating on expensive machines that would fatten the bottom line. (In 1988, a Macintosh SE with 2MB RAM and a 40MB hard drive retailed for \$5,069.) As a result, Apple's market share never rose much above 10 percent. More and more developers were deciding that it wasn't worth it to write software for a relatively small market. And as VisiCalc had shown with the Apple II, and PageMaker with the Mac, it was software that drove computer sales. If Apple couldn't get the margins up, the Mac was in danger of becoming the Betamax of the computer business.

"Apple became a company battling an industry," says Paul Saffo, a director at the Institute for the Future, in Menlo Park, Calif. In order to compete with the proliferation of PC clones, Apple was forced



"In 1989, it looked like Windows was a flop, and Apple was sitting pretty with its 50 percent profit margins."

to \$50 a share and higher; gross profit margins topped 50 percent. By the spring of 1987, the company's market value had risen to \$5.5 billion, up from less than \$900 million in June of 1985.

And the perks! Apple employees still rhapsodize about the exquisite salmon served at a subsidized price in the employee cafeteria, the coupons that were distributed for free Japanese-style neck massages in your office, the half-dozen brands of bottled water and natural fruit juices in every office refrigerator, the thousands of T-shirts that were printed up to celebrate every occasion (at Apple, T-shirts have long functioned as a sort of mood ring for the company's spirits). And then, of course, there were the parties: the beer bashes in various buildings every Friday; the companywide Christmas party in a glitzy hotel ballroom where Ella Fitzgerald sang and there was fine wine and good food for thousands; another Christmas party, at the Rosicrucian Egyptian Museum, in San Jose, where revelers inhaled oysters and sushi among the 2,600-year-old mummies; the chartered sailboats on the San Francisco Bay; the off-site retreats at the beach.

It was glorious. Indeed, feelings ran so high that even the people who had once questioned Apple's ability to survive in a world dominated by Microsoft and Intel were having second thoughts. "In 1988 and 1989, it looked like Windows was a flop, and we were sitting pretty with our 50 and 60 percent profit margins," recalls Chuck Berger, who was an Apple executive for six years. "We thought maybe we would be OK."

APPLE'S PARTY DAYS TURNED OUT TO BE short-lived. In 1990, the hangover began. The company had virtually ignored the low end of its market for the past five years, and now PC clones were replicating like the Ebola virus. Profit margins were still up around 50 percent, but it was clear that the way things were going, that wouldn't last. The only groundbreaking technology to arrive was the Macintosh Portable, an unwieldy, overdesigned machine that was an immediate flop.

Then in late May, with much pomp and fanfare, Microsoft rolled out Windows 3.0. Like most Microsoft products, it had plenty of problems, but it was another giant step closer to the look and feel of the Macintosh. It didn't take a genius to see that Apple was going to be run out of business by Microsoft in

Apple would be left as a single company competing against an entire industry for market share. As Apple's market share dropped, software developers would abandon it, which would in turn give buyers less and less reason to buy a Mac. Eilers argued that Apple should seize the moment *now* and develop an aggressive plan to license their software *now*, while Apple still had significant advantages over the competition and while it still had the chance to become the industry standard. In effect, Eilers was arguing that Microsoft had a better business model than Apple, and Apple should imitate it.

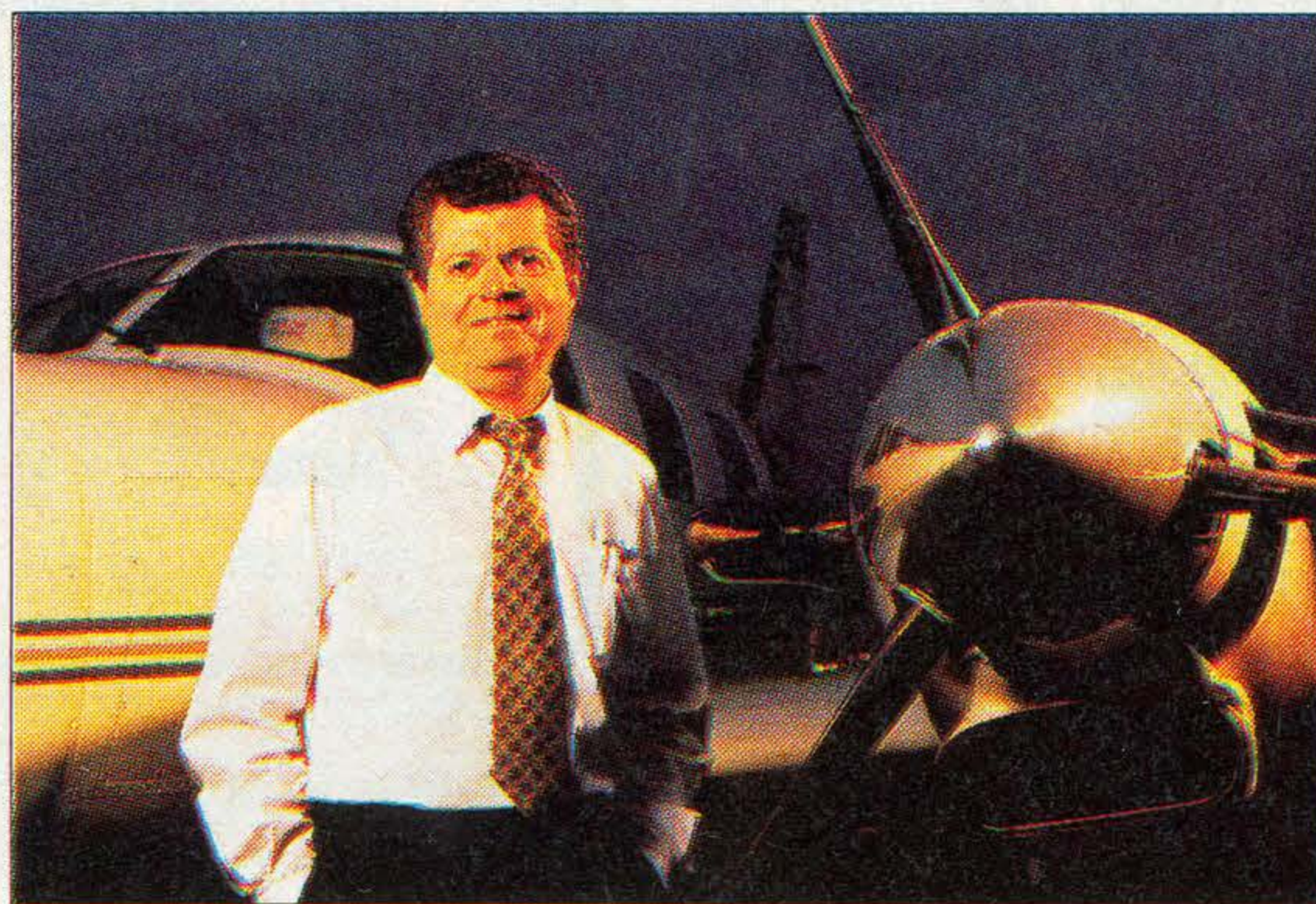
"Jean-Louis Gassée was livid," recalls one staffer who attended the presentation. "He started jumping up and down and accusing Eilers of being a kid who didn't know what he was saying. He said that if Apple tried to license the software, the engineers who took great pride in Apple's proprietary software would leave the company in droves."

Sculley didn't argue with Gassée. "It was just a lack of courage," says one executive. Yes, there were technical hurdles, but those could have been solved. "It was a tough decision, and nobody wanted to take the hit." In 1986, Apple had explored a hardware- and software-licensing arrangement with Apollo Computer, a maker of high-end workstations (it has since been swallowed up by Hewlett-Packard), but the deal was ultimately derailed by indecision.

In 1988, Apple sued Microsoft and Hewlett-Packard, accusing them of copyright infringement on the Mac software. Apple's lawyers argued that the software-licensing agreement Apple had signed in 1985, which granted



ABOVE: APPLE'S FLAMBOYANT FRENCHMAN JEAN-LOUIS GASSÉE. BELOW: NEW CEO GIL AMELIO.



to cut prices, which meant lower gross profit margins, which meant less and less money to spend on research and development, which meant it was harder and harder for the company to maintain its technological edge. It was a death spiral that was very difficult to pull out of.

Once again, Dan Eilers, who was now Apple's vice president of strategy and corporate development, took charge of presenting solutions to Apple's top executives. His staff had spent months studying plans to increase market share and had come up with a variety of options, including creating a second brand of computers targeted at the low-end market. But the soundest proposal was in effect to clone Microsoft. Various members of one of Eilers' teams (he was not involved in the presentation itself) made the case that Apple should spin off a small company, code-named Macrosoft, whose express purpose would be to port the Mac operating system to the Intel processor as quickly as possible. Apple could get it to market in less than a year, Eilers' team believed. In three years, the group believed, it was highly probable that the Mac operating system would control 30 percent of the market.

This time it was Spindler who balked. "It's too late to license," he pronounced with utter authority. "It doesn't matter anymore. The opportunity is past."

It was not too late. Sculley knew that as well as anyone. In private conversations he had often spoken of the need for Apple to take dramatic action to increase its market share. But during the meeting, he did not push for decisive action.

"Of course the software should have been licensed," Sculley says now, sounding angry at what he calls "the historical revisionism" that is going on. "It's easy to see it now, but at the time no one was clever enough to see a way to do it without destroying the bottom line of the company — something that the board would have never stood for."

For Apple, this was the beginning of the end.

LIGHTNING RARELY STRIKES TWICE IN SILICON Valley. The confluence of forces that results in a product like the Mac are too fragile and mysterious to hold up under deliberate calculation. But that doesn't stop entrepreneurs from trying to clone their early successes — in part because they are gamblers

was disenchanted with Apple's new regime. "I had no idea what I was going to do after the Mac," Capps says now. "I just needed to recover."

In 1988, Steve Sakoman, a talented Apple hardware engineer who had worked on the Mac II, approached Capps about a device he had been dreaming about called Newton. It was to be a small, lightweight computer and communicator that worked like a magic slate to organize ideas and information. Capps was suspicious — "I didn't want to build a yuppie toy." But he was eventually persuaded. The two of them assembled a small team of smart young engineers and hid themselves away in an old chip company's building — the Newton equivalent of the Mac bunker. Larry Tesler, a former Xerox researcher who had helped design the user interface on the Lisa, also got involved. There were many battles about the size and scope of the Newton, and eventually Sakoman and Tesler left the project.

Sculley soon took a personal interest in the Newton. Unlike Gates, who pursued his goal of dominating the desktop with a machinelike steadiness, Sculley had the vision virus. He wanted a big hit, something that would set the world on fire. The Newton echoed Sculley's dreams about the Knowledge Navigator. And if it was a hit, it would get Apple out of this losing battle with Gates and leapfrog the company into a whole new generation of products.

Sculley had reason to trust his instincts this time. In late 1991, Apple had introduced the first generation of PowerBooks, which were an immediate hit. And rightly so. They were sleek, beautifully designed machines, full of innovative features like the thumb-operated trackball which, as usual, other companies copied and is now standard equipment on most laptops. Equally impressive was the marketing of the PowerBooks, particularly the What's on Your PowerBook? ads that

dered what kind of a pipe Sculley had been smoking. As Sculley now points out, the Internet is exactly the kind of union he was talking about.

But while Sculley was offering visions of the future, the Newton team was running into serious problems in the here and now — particularly with the handwriting recognition, which turned out to be more complex than anyone had anticipated. They were able to jury-rig a Newton to work at a demonstration in May 1992, but the machine was still far from ready. Deadline pressure increased to

the point that by the end of '92, some members of the Newton team were working 18-hour days.

No one worked harder than Ko Isono. He was a quiet 27-year-old who was born and raised in Japan and who never seemed totally at ease in America. But his gifts as a programmer were unquestionable. "We were having trouble with the screen, how to determine if you pressured it with your hand or with the pen," Capps recalls. "Ko

came up with a solution, a particular algorithm that was eventually patented [in his name]." But Isono had other problems. At one point he disappeared to Japan; when he returned he told everyone that he was married. He brought his new wife back to California, but according to friends, Isono's parents felt that this was not an honorable thing to do. Isono, who was working 14-hour days on the Newton, became increasingly stressed. One afternoon he came into Capps' office and, with tears in his eyes, told him, "This isn't working." Capps told Isono to take as much time off as he needed.

Several days later, on Dec. 12, 1992, Isono shut himself in his bedroom, took out a pistol and shot himself in the chest.

ISONO'S SUICIDE CAST A PALL OVER THE NEWTON team, and the Newton MessagePad didn't ship until August of '93, months behind schedule and loaded with bugs. Handwriting recognition sucked. Doonesbury skewered the problem in a series of cartoons (Mike, scratching on his Newton-like device: "I am writing a test sentence." Translation: "Siam fighting atomic sentry.") Not surprisingly, the Newton was a bomb.

For Sculley, the Newton debacle was a symbol of larger problems. Many believed he had lost faith in the Mac years ago, perhaps because he saw it as the legacy of his spurned soul mate, Steve Jobs. Sculley had been growing more and more distant from the company, leaving the day-to-day operations to Spindler. Sculley spent a lot of time with the Clinton campaign in '92, and after the Democrats won the White House, there was talk that the Apple CEO might be appointed as deputy commerce secretary. "I was in several meetings with him when he would say, 'Excuse me, the White House is on the phone,' and disappear from the room for a half hour or so," recalls Russ Irwin, who at the time was Apple's director of corporate development. Around the Apple campus, Sculley became known as Chief Political Officer.

In June of 1993, just four months after he appeared at Hillary Clinton's side during President Bill Clinton's first State of the Union address, the board at Apple had had enough. Sculley was relieved of [Cont. on 85]



SPINDLER (LEFT) AND MARKKULA WERE BARRAGED BY QUESTIONS AT APPLE'S 1996 SHAREHOLDERS' MEETING.



In 1993, Apple announced a single-quarter loss of \$188 million, while Microsoft's sales topped \$1 billion.

at heart, and in part because there's a constant need to prove that it was brains and instinct, not luck, that won the day. It happened to the prophet himself, Steve Jobs. Immediately after leaving Apple in September of '85, he started NeXT Computer Inc., which was supposed to be, as the name oh-so-subtly suggested, the Next Big Thing. It wasn't. The computer he built was full of insanely great technology, but it was too expensive, too elegant, too impractical. By the early '90s, NeXT was in disarray. So, Jobs dumped the fancy hardware and, having soaked up the great lesson of the '80s, turned NeXT into a software company. Now it's doing fine.

Steve Capps also felt the urge to repeat the Macintosh magic. Capps was the cowboy coder who had raised the pirate flag over the Mac building in 1983 and embodied the Mac team's rock & roll spirit. But Capps

came later, which featured ordinary users as well as pop icons. For Sculley, who ran Apple like a Hollywood studio and was dependent on what he calls "a hit product strategy," it was a triumph.

Sculley's backing was a mixed blessing for the Newton team. Although he now says he spent "less than 2 percent of my time thinking about the Newton," he made sure the project had support within the company. He also burdened it — perhaps inadvertently — with unreasonably high expectations. At a press conference in 1992, he expounded on the confluence of the computer and communications industries, and how it would be a \$3 trillion business by the beginning of the 21st century. His remarks were misinterpreted — many reporters took him to be saying that the Newton was going to be a part of a \$3 trillion business. They won-

APPLE

[Cont. from 63] his duties as CEO. He remained as chairman for several months, then cut his ties with the company for good in October. His severance package, including salary, bonuses and stock options, was about \$5.5 million.

For Apple, it was an expensive divorce. Despite all of Sculley's marketing smarts, despite the fact that he had presided over Apple while the company's annual revenues topped \$8 billion, despite some great new technology like the PowerBook, and despite the fact that he was to most people a very decent human being, Sculley left Apple poorly positioned for the future. With the encouragement of the company's notoriously clueless board of directors, Sculley ran Apple during the 1980s like President Ronald Reagan had run the country — with short-term profit triumphing over long-term strategy. There had been endless meetings about licensing, cloning and dwindling market share, but nothing had been done. Meanwhile, Bill Gates' juggernaut rolled on. In 1993, just after Sculley was replaced as CEO, Apple announced it was laying off 2,500 employees and would take a third-quarter loss of \$188 million; at the same time, Microsoft had its best quarter ever, with more than \$1 billion in sales.

IN 1993, WITH SCULLEY GONE, APPLE needed to go back to its roots and find someone who could inspire the true believers, someone who could revive the sense of mission that had once made working at Apple such a powerful experience. What Apple got, however, was Michael Spindler, a k a the Diesel.

The nickname suited him. Spindler was not a creative guy; he was a chugger. He prided himself on the horsepower in his brain, on his ability to plow through complex problems. He didn't mingle with the masses on the R&D campus. His office was a fortress — you couldn't get near the place. And, perhaps, understandably so. As many observers both inside and outside Apple had long predicted, the hardware business was now a commodity game, which meant falling prices. No one suffered more than Apple — gross profit margins in its 1993-94 fiscal year were 25 percent, down from 53 percent five years earlier. Like Sculley, Spindler talked a lot about licensing software, but he couldn't pull the trigger. Starting in 1994 he did strike agreements with a few companies, including Power Computing, to make low-end Mac clones, but it was too little, too late to make much difference in Apple's market share, which was still only 10 percent.

Spindler's two and a half year reign as CEO was marked by two developments.

One was the transition to the PowerPC chip, which Apple had developed in a partnership with IBM and Motorola. It was an important move in that it kept the Mac's speed and power equal to — or in some cases, ahead of — the latest chips from Intel. But it was not a solution to Apple's market-share problems.

The other development was the complete breakdown of even the most basic business operations. Apple executives constantly misforecast the market for its computers, which resulted in inventory backlogs and shortages. When Apple's new 500 series PowerBook came out in the spring of '94, the company wasn't close to being able to fulfill demand (I know because I tried to buy one. The wait was four months). There were constant problems with delays from parts suppliers, and the distribution channels needed to be streamlined.

But according to one former board member, Spindler was never recruited to be a dynamic leader. "He was put in place with the clear intent of selling the company," the former board member says. "He was just supposed to keep things steady." When he wasn't hobnobbing at the White House, Sculley had spent most of his time in 1992 and 1993 trying to get Apple married off. By early 1994, Apple was actively pursuing a partnership with IBM. It was clear to astute observers that the bottom had fallen out of Apple's market, that its current business plan was flawed and that the only way it could survive was if radical changes were made — or if it was bought out. In September of 1994, Markkula, Spindler and Joseph Graziano, Apple's chief financial officer, met with IBM chief Louis Gerstner and his team in a hotel room at Chicago's O'Hare International Airport. Gerstner offered \$40 a share for Apple — a deal that in retrospect looks sweet indeed. Spindler and Markkula balked; several months later, IBM purchased Lotus Development Corp., the maker of Notes, for \$3.5 billion.

Meanwhile, things at Apple began to unravel faster. Again at Christmas, Apple could not fill demand for its machines. In the summer of 1995 a new generation of PowerBooks shipped. In a few portables the batteries caught fire, and the glitch became national news. It was unfair, but it wasn't surprising. Everything else at Apple was turning to ashes — why shouldn't batteries?

By midsummer, Apple's board of directors was getting grumpy. Unlike other large companies, which usually realize it is in their best interest to bring in board members who will ask tough questions, Apple's board has always been stocked with technical know-nothings. They are mostly investors, not operations people. Many are susceptible to charisma and are unduly loyal to management. There had been a number of changes in the board, including the arrival of Gil Amelio, the well-regarded CEO of National Semiconductor, in

November of 1994. But Amelio proved to be just as hands-off as the rest of them. And the chairman, Mike Markkula, who had given Jobs and Steve Wozniak money to help get Apple off the ground in 1976, is a kind man, a patient man, a dedicated man, but he is also a very rich man. He did not have the time or inclination to get his hands dirty in day-to-day operations, nor did he have his finger on the pulse of Silicon Valley.

As troubles mounted, board meetings grew increasingly tense. In June of 1995, Apple's unfulfilled back order reached a mind-boggling \$1 billion. Windows 95, Microsoft's final nail in the Mac's coffin, was poised for release, while Apple's new operating system, code-named Copland, was months behind schedule. Software developers were jumping ship. IBM clones like Compaq were cutting prices, forcing Apple to consider doing the same and further eroding the company's profits. At one meeting during the summer, Spindler had taken to bashing Intel, claiming that

After 10 years, Microsoft duplicated the Mac's operating system.

it was ruining the PC business. Instead of just selling microprocessors, Intel was pushing more and more for computer manufacturers to buy the chip and the motherboard from it. In effect, this boosted Intel sales and made PC makers nothing more than suppliers of boxes. To Spindler, who insiders say was prone to worrying more about global injustices than problems right in front of his nose, this was cause for much hand-wringing. "They are driving all the creativity out of the business!" Spindler steamed, getting worked up in one of his fits. "They're wrecking the industry!"

At that point the straight-talking Graziano had had enough. He'd heard this rant about Intel from Spindler too many times. Apple was facing a mountain of its own problems, and here was Spindler worrying about goddamned Intel! "Hey, Intel's not doing anything illegal," Graziano snapped. "Customers don't give a shit about this. We have enough of our own problems."

Spindler, however, didn't want to talk about Apple; he wanted to talk about Intel.

Two Apple executives who were present say that another board member, B. Jürgen Hintz, a private investor, finally put an end to it. "You talk about what's going on at Intel as if it were the original sin!" Hintz exploded in a rare display of corporate emotion. "This is the way business works in America. We've got our own problems here, Michael! What are

we going to do about them?"

Spindler, stunned, had nothing to say. And things just got worse. The glitzy \$200 million Hollywood-style rollout of Microsoft's Windows 95 was a crushing blow. It had taken Microsoft 10 years — 10 years! — but it had finally copied the Mac's operating system. Now, to most computer users, there was no longer any meaningful distinction between a Mac and a PC. Apple ran ads in the *New York Times* and the *Wall Street Journal* touting the superiority of the Mac. And it was true, the Mac was still simpler, more elegant, easier to use and more reliable than anything Microsoft had produced (or probably ever will). But that's an aficionado's view. To Johnny Shopper strolling through CompUSA, the distinction is meaningless. The 10-year war was over. Gates had finished them off.

Apple's board seemed paralyzed. Clearly some action needed to be taken. Should they dump Spindler? Graziano was for it; Markkula against. Should they again try to marry off the company? Talks with Sun Microsystems were already under way. But a merger was going to take time. There was even talk of bringing Steve Jobs back to the company. Jobs was interested — how could he not be? It would be like going home to reclaim his long-lost child. Markkula apparently spiked the idea. He had still not forgiven Jobs for his treachery against Sculley 10 years earlier.

Meanwhile, in Apple's executive offices, tension rose. Graziano, who knew the depths of the problems at the company better than anyone, left in October. The next day, Spindler tried to put a happy face on everything. He told the *New York Times*, "Give us one strong quarter, and all this will go away." By the beginning of November, Dan Eilers, who had been put in charge of developing yet another plan to reshape the company's focus, also announced that he would leave Apple. Christmas '95 was another major disappointment. Apple's sales force misjudged the market and pushed low-price Performas instead of top-of-the-line PowerMacs. "Our warehouses were clogged with Yugos when everyone wanted to buy Mercedes," says Satjiv Chahil, Apple's plain-speaking senior vice president in charge of corporate marketing. It would have been almost comical if it wasn't so sad.

ON JAN. 23, 1996, APPLE HELD ITS ANNUAL shareholders' meeting in Town Hall, a posh auditorium on the Apple campus. Partway through, Orin McCluskey, a New York investment manager who was seated in the fifth row, lost his cool. He stood up and demanded to be recognized: "Point of order!"

Michael Spindler, who was marooned out on the stage of the theater and was well aware that some 20,000 eyeballs were watching him on closed-circuit televisions all [Cont. on 87]

APPLE

[Cont. from 85] around the world, tried his best to ignore him.

"Point of order!" McCluskey stood up and waved his hand. "Mr. Secretary, I take exception!"

McCluskey was finally permitted to speak. "I have not heard any self-criticisms," McCluskey said, his voice booming through the auditorium. "You have mismanaged assets. . . . You have brought a great company to its knees. . . . Mr. Spindler, it is time to go."

Spindler's face tightened. It was going to be a long, long afternoon.

And indeed it was. Frank Casanova, Apple's witty corporate jester, had been called on to provide a lively demonstration of Internet technology. He showed off PageMill, a software application for creating home pages on the Web, and Apple's QuickDraw 3D, which allows users to design 3-D objects. To cut the tension, Casanova created a map of the world in the shape of a dinosaur and then said in an obvious reference to Microsoft, "I wonder where Seattle is?" and lifted the beast's tail.

It was the only laugh of the day.

Spindler stood at the podium in a dark suit and in sober, measured tones tried to reassure the roiling crowd that the company was not broken, that his leadership could be trusted, that Apple was going through a hard time and it was important that they all pull together. At one point he flashed a slide on the screen behind him, naming what he called the company's three major assets: technology, loyal customers and a significant brand name.

In a large meeting room called the Garage on the Apple campus just a short distance from Spindler's performance, Jordan Mattson, a 32-year-old Apple employee, watched all this on a closed-circuit television, horrified. There were maybe 200 employees at the Garage, along with a number of reporters. Mattson had been listening to Spindler with a mix of hope and despair, but when he heard the CEO of Apple run down that list of the company's assets, he could hardly believe his ears.

That was it? "Technology, customers and a brand name"? Wasn't he missing something?

When it was time for the question-and-answer session to begin, Mattson walked over to Town Hall. A tall, athletic-looking man in jeans, a polo shirt and Doc Martens, he waited in line at one of the microphones that were set up in the aisles. When it was his turn, he stepped forward to the mike.

"Mr. Spindler," he said, "I was looking at the list of Apple's most valuable assets you put on the screen; you mention technology, customers and the brand name, but employees are not there. Does the executive management team and the board consider the em-

ployees an asset of Apple Computer?"

Employees all over the campus let out a cheer. Yeah, Jordan! Mattson had struck a blow, however minor, for all the frustration that Apple employees had been feeling over the past several months, and for all the anger they felt at their stagnant salaries and withheld stock options, all the departmental reorganizations they had put up with, all the corporate indecisiveness, all the patronizing memos from human resources. They loved the company deeply, and they would jump into a burning building to rescue it, but they wanted Michael Spindler to show them some respect.

Spindler stumbled for an answer. It was a mistake, he said. He meant to include Apple employees under "technology."

This was Spindler's last public appearance as Apple's leader. Less than two weeks later, Apple announced that he'd been replaced by 52-year-old Gil Amelio, the CEO of National Semiconductor, the fourth largest manufacturer of computer chips.

FOR APPLE, AMELIO'S ARRIVAL PUT AN end to a hellish period. During those two weeks, new rumors flew daily: Apple had made a deal with Sun Microsystems. Then with Oracle. Then Motorola. On Jan. 24, the *Wall Street Journal* reported that the Sun buyout was more or less a done deal. But nothing happened. Apple's stock price yo-yoed. Employees woke up every morning and bought the *San Jose Mercury News* – or logged on to the *Mercury's* special "An Eye on Apple" Web page – to see if they still had jobs.

Sun had long maintained a close relationship with Apple, and during early '95, when it was clear that the Internet boom was for real, Sun executives began to look at Apple with a hungry eye. "But the deeper we got into Apple's books, the more wary we became of the deal," says one Sun executive who worked on it. Scott McNealy, the chairman and CEO of Sun, is not a sentimental guy – he wanted a bargain. And apparently Markkula, who had the final say in any deal, was not going to give away Apple at a fire-sale price. Instead, he tossed the company's reins to his friend Amelio.

Apple's coming-out party for Amelio was, in contrast to the shareholders' meeting, a festive affair. On Feb. 16, Apple's latest savior stood at a podium that had been set up in Caffe Macs, facing 50 or so invited members of the media. He projected a no-bullshit demeanor, an unflappable calm. Indeed, with his jowly cheeks, bulky frame and wide print tie, he looked more like the successful boss of a Midwestern tire company than the new leader of Apple Computer.

"We have ourselves in a little trouble now," Amelio flatly acknowledged. "The troubles are fixable. I've been down this road before." The problems, he said, might involve a little "housecleaning,"

but he hoped to avoid massive layoffs. He talked about how much he loved Apple computers – he claimed to own five of them, going all the way back to the Apple II. "My mission," he said at one point, "is to make complex technology simple, accessible, delightful."

Unlike Apple's previous bosses, Amelio has solid scientific credentials – 16 patents, a Ph.D. in physics from the Georgia Institute of Technology. As the head of National Semiconductor, he presided over a turnaround in the company's fortunes. How much of that Amelio should be credited with is open to debate. "The truth is, he was lucky enough to arrive during an upswing in the chip business," says one industry CEO.

Culturally, though, Amelio doesn't have much in common with most Apple employees. He is a card-carrying member of the Silicon Valley good ol' boys network, a gang of aging millionaires that got its start in the early '60s and continues to dominate the valley's boardrooms and

The fact of the matter is, Apple fought the war of the desktop – and it lost.

executive suites. There are other dissonant notes: Apple has always been proud of its progressive politics and was one of the first corporations in the country to offer insurance benefits to same-sex partners. Amelio is an Old World Republican who has hosted fund-raisers for a range of conservative candidates, from Bob Dole to Newt Gingrich. Then there's Amelio's book *Profit From Experience: The National Semiconductor Story of Transformation Management*, co-written with William Simon. It reads like a text for a junior-college course in corporate management theory and is full of arcane charts and graphs, and Hallmark-card-like drivel (aspiring managers, Amelio suggests, should "know how to deal with ambiguity" and "pursue lifelong learning").

Most unseemly of all, however, is that Amelio arrived open-mouthed at the trough. If he had dropped in Lee Iacocca-style and offered to work for \$1 a year plus stock options, the Apple faithful might have followed him to the ends of the earth. Instead, Amelio made sure that no matter what happens, he gets his share. According to *Business Week*, the board agreed to pay Amelio a combination of salaries and perks that could bring him \$10 million a year. Plus a \$10 million payout if Apple is purchased during the next year. This is not exactly a deal that endears him to an Apple employee who makes \$50,000 a year and is trying to raise a family in Silicon Valley, where starter

homes begin at \$250,000. Many looked on with disgust when, just a few weeks after Amelio's appointment was announced, while he was rumored to be focusing on a strategy for Apple's comeback, he found the time to shop for a \$5 million-plus estate at Lake Tahoe.

THE DAY BEFORE AMELIO'S ASCENSION, I sat in the sunny glass atrium of R&D 1 with Steve Capps. As usual, he was wearing shorts and black-and-white checkered Vans and carrying a new, improved Newton. Except for a short break, Capps has been at Apple for 15 years – first on the Mac team and then as the leader of the Newtonites. He represents Apple at its best: the iconoclastic spirit; the willingness to work incredible stretches on projects he loves; the spooky, instinctive intelligence; the disdain for ostentatious wealth (Capps drives an old red Honda CRX with a license plate that reads NOOTOON).

Capps is not sanguine about Apple's place in history. "The history books all say that Henry Ford invented the automobile," Capps says. "It's not true, of course – he just figured out how to build them more quickly and efficiently than others. But no one remembers that now. It's the same thing with computers: Fifty years from now, history books are going to say Bill Gates built the computer. Apple will be forgotten."

Apple achieved great things. Almost single-handedly, the company pulled computers out of air-conditioned research labs and government offices and delivered them into the hands of ordinary people. And for many of us, Apple computers have been the bridge into the electronic world. Virtually every word I have ever written in my professional life – including this article – has been typed on a Mac; I have countless friends who started new lives as graphic artists or designers or musicians or novelists simply because they touched a Macintosh. Indeed, this magazine is produced almost entirely on Macs, from editing to layout to photo manipulation. "Our musicians love their Macs so much, they almost think of them as another brand of guitar," says Howie Klein, the president of Reprise Records, the label of Mac devotees Chris Isaak and the band Filter.

Not surprisingly, Apple's current crisis has galvanized the company's true believers. Suddenly every Mac user has become an evangelist spreading the word about the wonders of Apple. A group of employees, understandably tired of getting hammered by the media, has set up a good-news Web site at <http://always.apple.com>. "I just bought five new Apples," John Sculley says confidently. Even Bill Gates has been speaking kindly about his old enemy lately, if for no other reason than a healthy Apple gives him something to point to when the Justice Department accuses him of running a monopoly.

"If the company is going [Cont. on 88]

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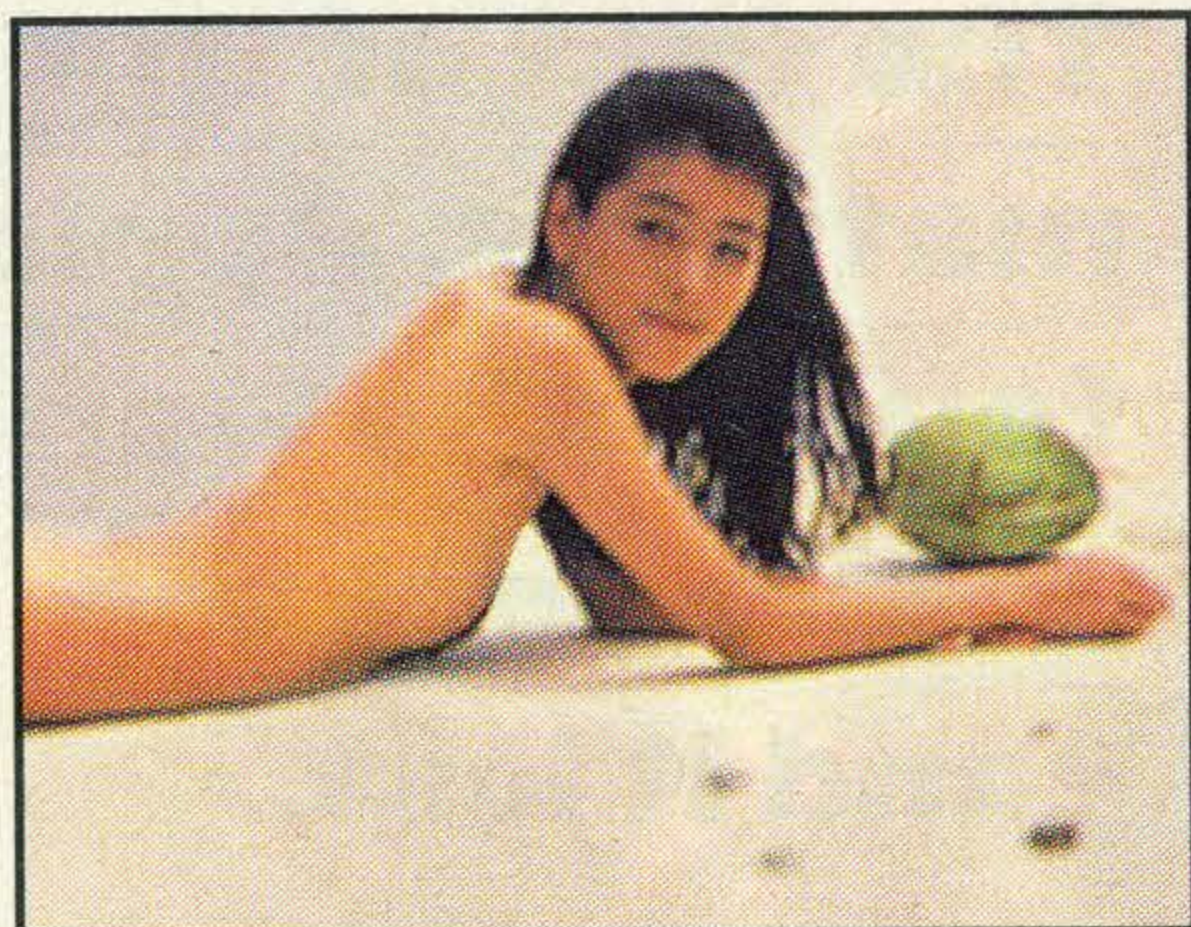
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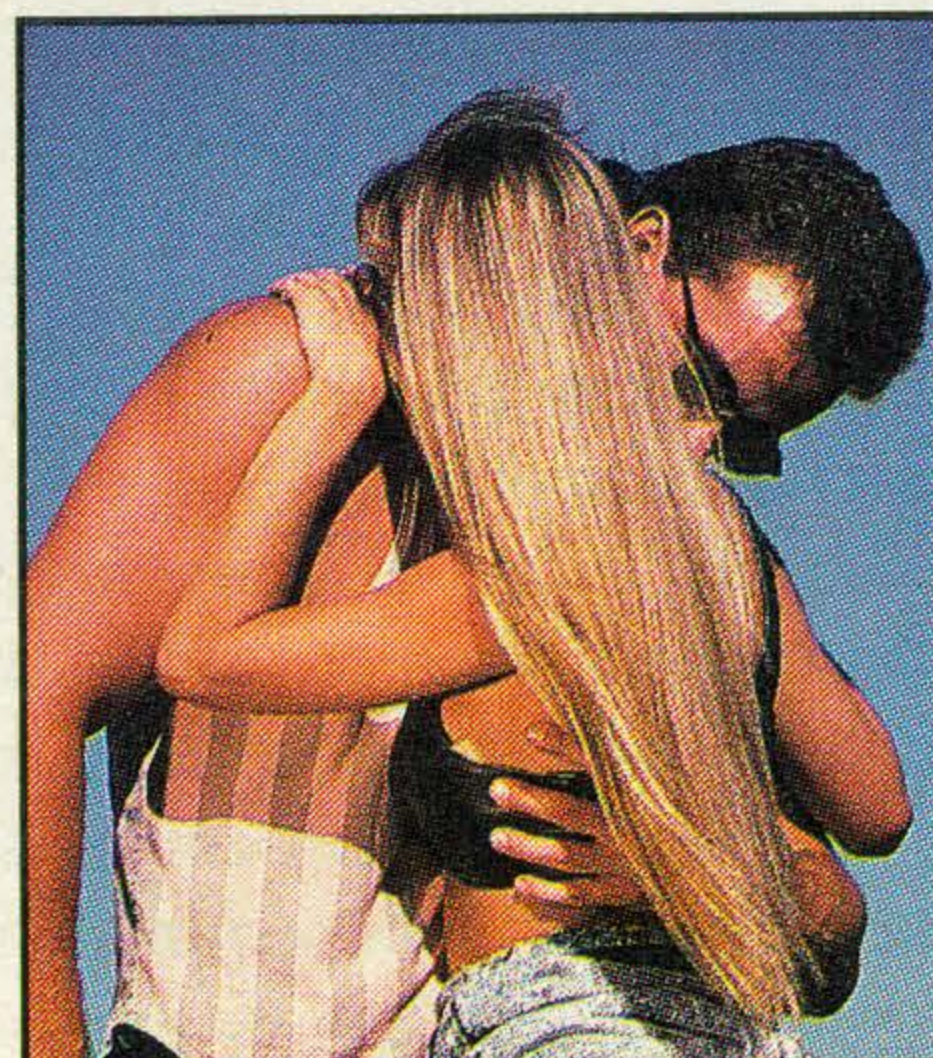
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[Cont. from 87] to get out of this mess, it's through innovation," says Steve Jobs. "Not through cost cutting, not through PC clones. When Apple started, it was about building great products. It needs to go back to that. I still think there's hope - with the right leadership."

The essential evolutionary fact, however, is Apple fought the war of the desktop - and it lost. The battle has since moved on to a new medium: the Net. It is a giant change, culturally as well as technologically. The Net is like a vortex in the valley, sucking up lives, dreams and venture capital. Virtually every person under the age of 30 I talked to at Apple was considering leaving for a start-up. The valley is a boomtown again, stoked to a fever pitch by overnight success stories like Netscape Communications, a company that now has the kind of luminous glow that once surrounded Apple. "Apple should have been right in the middle of all this," says Sculley. "It had the tools, the know-how, the right sensibility." Microsoft also failed to anticipate the profound implications of the Internet but in the past year has moved quickly to recover. Apple is still adrift.

There is no happy ending here. Apple rose out of the valley on the skinny shoulders of two kids, a wizard named Woz and a visionary named Jobs. It was a company that symbolized the emergence of a new culture, one whose roots stretch back to the streets of Berkeley and the Haight, that believed in technology as a force for democracy - that business was about more than making a buck. That dream is over, and its demise marks the end of an era in Silicon Valley. Apple's future now rests in the hands of a greedy middle-aged executive whose book includes a section about "Creating Your Own Vision Statement." It was inevitable, perhaps, but it is also cause for mourning. No one feels it more deeply than Jobs, who has spent more than a few moments staring out the window of his office in Redwood City and wondering if the old cliché that you can never go home again is really true.

Part 1 of "The Rise and Fall of Apple Inc." appeared in RS 731.

ROLLING STONE (ISSN 0035-791X) is published biweekly except in July and at year's end, when two issues are combined and published as double issues, by Straight Arrow Publishers Company, L.P., 1290 Avenue of the Americas, New York, NY 10104-0298. The entire contents of ROLLING STONE are copyright © 1996 by Straight Arrow Publishers Company, L.P., and may not be reproduced in any manner, either in whole or in part, without written permission. All rights are reserved. Canadian Goods and Service Tax Registration No. R125041855. International Publications Mail Sales Product Agreement No. 450553. The subscription price is \$25.94 for one year and \$38.95 for two years. The Canadian subscription price is \$41.00 for one year, including GST, payable in advance. The foreign subscription price is \$65.00 for one year, payable in advance. Second-class postage paid at New York, NY, and additional mailing offices. In Canada, entered at Windsor, Ontario. POSTMASTER: Send address changes to ROLLING STONE, P.O. Box 55329, Boulder, CO 80322-5329.