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Jean-Louis Gassée

chairman and CEO, Be Inc.

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PAUL SCHINDLER: By the way, are you optimistic about the future of Apple?

JEAN-LOUIS GASSÉE: I think yes, contrary to many people, I believe the nay sayers who criticized Steve Jobs are being proved wrong.

SCHINDLER: Tell me what the company does.

GASSÉE: Well, we do an operating system for audio and video applications. Let me also try to clarify what we don't do, and let me make a comparison to help here. When you look at OS 2, OS 2 tried to be a replacement for Microsoft Windows -- better DOS than DOS, better Windows than Windows. And we know what happened, in spite of IBM's brains, marketing might, money -- it didn't happen, because Windows in the office-automation marketplace is too entrenched.

"[Be] is not a success now. We still have much to prove and much to do. Frankly, I don't believe in claiming success. People will define success for us."

If you figure an S-curve, this is the top of the S-curve, the sort of mature part of the marketplace. What we are trying to do is very different, we're trying to enter the marketplace at the knee of the S-curve. We have all these new media [audio and video media] coming out of the gestating part of the S-curve and entering the accelerating part of the S-curve, the sort of oblique fast-growth part of the S-curve. And we're trying to address the applications of these new media that complement what Windows does well. So in other words, we co-exist with Windows on your Intel hard disk, as a system that is focused on the creation of audio and

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Be's Goal
To see what could be accomplished if you built a PC using new assumptions, based on cutting-edge software design concepts, and designed for the next decade's applications, rather than the last decade's.

In Simpler Terms
Create a new audio-visual operating system for Macintosh and Intel computers that co-exists with existing operating systems.

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video content for [digital-video] satellite broadcasting, webcasting, editing your home movies, having your or professional studio. In other words, someone could call us the poor man's Silicon Graphics -- as one investor called us one day.

SCHINDLER: How are you defining success for Be? What would it take for you to say this company is a success? Do you believe it is a success now?

GASSÉE: No, it is not a success now. We still have much to prove, and much to do. And frankly, I don't believe in claiming success. I think people will define success for us. We have considered three basic constituencies: shareholders, software developers, and customers, and a fourth one which may or may not be at the same level -- which are the [original equipment manufacturer] partners. These people will decide whether or not we are successful. Ultimately, maybe you'll call me a born-again capitalist coming from a statist culture in my country of birth. But ultimately, success is evaluated by the shareholder.

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SCHINDLER: What happened in almost selling Be to Apple, from your perspective? We've seen a lot of other people's perspectives, I mean we've certainly heard what Gil Amelio thought.

GASSÉE: Well you know it was a very straight forward thing. Initially, Apple contacted us in June of 1996 and we started talking, and talking, and talking. And we focused on Apple's heritage, which is the multimedia space where we thought -- everybody thought -- the OS had something to contribute, and we were demonstrating the first version of the BeOS running on Power Macs. And people had a shock when we went to Boston in August of '96. One minute we're showing the Mac OS, and the next minute we're showing the BeOS running on the same Mac hardware. In the past, people thought the performance they saw was due to some mysterious hardware component, because we had the Be box with the dual-processor machine, but once we removed the hardware variable people saw it was the software. So the software was deemed attractive for the multimedia space.

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Then, Gil Amelio and Ellen Hancock thought that Next could give Apple an entry into the enterprise market. The enterprise market which had stubbornly remained reticent to Apple. And they thought that Next Step and Next, with its franchise in some large corporations, could give them a key to that. So to me, it was a calculus of building an existing franchise or adding an, admittedly, a large

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market to Apple's portfolio. So that's how they made their choice and I think there is some logic to that argument.

I believe that Custom Resolve was right, so I'm not about to argue with that. What then transpired was that decision did not play out as expected. Apple still has no intention of trying the enterprise market because Steve Jobs got into the game, removed the previous management, and refocused Apple on its existing franchise, communication, and the creative people. ... On the one hand it's quite comical, on the other hand when you look at Apple stock, I think Steve had done wonders for Apple that we wouldn't have done. And when you look at the effect on the marketplace, it's very good to have a lively Apple, a healthy, attractive Apple, as opposed to a monochromatic Microsoft-dominated marketplace. So, I think that was, in unexpected ways, a very good decision for Apple.

As far as we're concerned, we turned around. We had already done some work on the Intel version, because we had done market research and the prestigious market-research firm came back with an unexpected result: there were more Pentiums and Power PCs in the market. And so we did a version of a portable operating system that was reasonably easy to move to Intel. And we found out that the Intel space is much more agnostic, ecumenical, than the Power PC space. People welcomed us with open arms. We went to our first PC Expo. We raised money in the spring. We raised $27 million to give us the sort of war-chest to pave the runways, if I can mix metaphors. And so, we are off to be a focused operating-system-dedicated, AV-dedicated OS in the Intel space.

SCHINDLER: **Some of the commentary I read at the time of the Be-Apple deal suggested that it foundered on an overvaluation on your part, is that a fair assessment? You offered a different explanation.**
GASSÉE: Well, you know I'm not about to argue with a journalist about media perception. ... I heard the same comments, and the fact of the matter is that we're talking, in the last stage of the deal, we were sort of focusing around the $10 million space and the Next deal was about $400 and some, so I think the facts -- again, I know we shouldn't cloud the issue with facts -- but I think the facts of the matter are that some people thought our price was excessive, but this is not ultimately what transpired. I think we've seen that Apple put a high value on having a new-generation operating system.

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