

Exhibit D

Steve Jobs: The Rolling Stone Interview

He changed the computer industry. Now he's after the music business

By Jeff Goodell

When Steve Jobs cruises into the airy reception area on the Apple Computer campus in Cupertino, California, on a recent morning, nobody pays much attention to him, even though he's the company's CEO. He's wearing shorts, a black T-shirt and running shoes. Tall and a little gawky, Jobs has a fast, loping walk, like a wolf in a hurry. These days Jobs seems eager to distance himself from his barefoot youth -- who was that crazy kid who once called the computer "a bicycle for the mind"?-- and driven to prove himself as a clear-thinking Silicon Valley capitalist.

Jobs punches the elevator button to the fourth floor, where his small office is located. For a man who is as responsible as anyone for the wonder and chaos of Silicon Valley, Jobs' view of it all is surprisingly modest: shrubby treetops extending out toward San Francisco Bay, the distant whoosh of the freeway below.

There is nothing modest, however, about Apple's recent accomplishments. In the past few months, Jobs' company has rolled out the PowerMac G5, arguably the fastest desktop computer on the planet; has redesigned the Powerbook and iBook laptops; and introduced Panther, a significant upgrade of the OS X operating system. But Jobs' biggest move, and certainly the one closest to his heart, has been Apple's plunge into the digital-music revolution. It began two years ago, with the introduction of the iPod portable music player, which may be the only piece of Silicon Valley hardware that has ever come close to matching the lust factor of the original Macintosh. Then, in April of this year, Apple introduced its digital jukebox, the iTunes Music Store, first for the Mac, and then, in October, for Windows. The result: 20 million tracks downloaded, close to a million and a half iPods sold, aggressive deals with AOL and Pepsi,

and lots of good PR for Apple as the savior of the desperately fucked-up music industry.

Still, Jobs' bet on digital music is a hugely risky move in many ways, not only because powerhouses such as Dell and Wal-Mart are gunning for Apple (and Microsoft will be soon, as well), but because success may depend on how well Jobs, a forty-eight-year-old billionaire, is able to understand and respond to the fickle music-listening habits of eighteen-year-olds in their college dorms.

Do you see any parallel between music revolution today and PC revolution in 1984?

Well, obviously, the biggest difference is that we're on Windows. It's still very early in the music revolution. Remember there are 10 billion songs that are distributed in the U.S. every year -- legally, on CDs. So far on iTunes, we've distributed about 16 million [as of October]. So we're at the very beginning of this. It will take years to unfold.

Bringing iTunes to Windows was obviously a bold move. Did you do much hand-wringing over it?

I don't know what hand-wringing is. We did a lot of *thinking* about it. The biggest risk, obviously, was that we saw people buying Macs just to get their hands on iPods. So taking iPods to Windows was really the choice. That was the big decision. We knew once we did that that we were going to go all the way. I'm sure we're losing some Mac sales, but half our sales of iPods are to the Windows world already.

How did the the record companies react when you initially approached them about getting on-board with Apple?

Well, there's a lot of smart people at the music companies. The problem is, they're not technology people. The good music companies do an amazing thing. They have people who can pick the person that's gonna be successful out of 5,000 candidates. And there's not enough information to do that -- it's an intuitive process. And the best music companies know how to do that with a reasonably high success rate.

I think that's a good thing. The world needs more smart editorial these days. The problem is, is that that has nothing to do with technology. And so when the Internet came along, and Napster came along, they didn't know what to make of it. A lot of these folks didn't use computers -- weren't on e-mail; didn't really know what Napster was for a few years. They were pretty doggone slow to react. Matter of fact, they still haven't really reacted, in many ways. And so they're fairly vulnerable to people telling them technical solutions will work, when they won't.

Because of their technological ignorance.

Because of their technological innocence, I would say. When we first went to talk to these record companies -- you know, it was a while ago. It took us 18 months. And at first we said: None of this technology that you're talking about's gonna work. We have Ph.D.'s here, that know the stuff cold, and we don't believe it's possible to protect digital content.

Of course, music theft is nothing new. Didn't you listen to bootleg Bob Dylan?

Of course. What's new is this amazingly efficient distribution system for stolen property called the Internet -- and no one's gonna shut down the Internet. And it only takes one stolen copy to be on the Internet. And the way we expressed it to them is: Pick one lock -- open every door. It only takes one person to pick a lock. Worst case: Somebody just takes the analog outputs of their CD player and rerecords it -- puts it on the Internet. You'll never stop that. So what you have to do is compete with it.

At first, they kicked us out. But we kept going back again and again. The first record company to really understand this stuff was Warner. They have some smart people there, and they said: We agree with you. And next was Universal. Then we started making headway. And the reason we did, I think, is because we made predictions.

We said: These [music subscription] services that are out there now are going to fail. Music Net's gonna fail, Press Play's gonna fail. Here's why: People don't want to buy their music as a subscription.

They bought 45's; then they bought LP's; then they bought cassettes; then they bought 8-tracks; then they bought CD's. They're going to want to buy downloads. People want to own their music. You don't want to rent your music -- and then, one day, if you stop paying, all your music goes away.

And, you know, at 10 bucks a month, that's \$120 a year. That's \$1,200 a decade. That's a lot of money for me to listen to the songs I love. It's cheaper to buy, and that's what they're gonna want to do.

They didn't see it that way. There were people running around -- business-development people -- who kept pointing out AOL as the great model for this and saying: No, we want that -- we want a subscription business. We said: It ain't gonna work.

Slowly but surely, as these things didn't pan out, we started to gain some credibility with these folks. And they started to say: You know, you're right on these things -- tell us more.

Well, despite the success of iTunes, it seems that it's a little early to call all of your competitors failures. Real Network's Rhapsody, for example, has already won over some critics.

One question to ask these subscription services is how many subscribers they have. It's around 50,000. And that's not just for Rhapsody, it's for the old Pressplay and the old MusicMatch. 50,000 subscribers, total.

The subscription model of buying music is bankrupt. I think you could make available the Second Coming in a subscription model and it might not be successful.

When you went to see music execs, was there much comment about Apple's "Rip, Mix, Burn" campaign? A lot of music execs regarded it as a subtle invitation to steal music. Well, when we did the Rip, Mix, Burn thing -- I mean, "rip" is the phrase that means "take the bits off the CD and put 'em on your hard drive." Rip the bits off your CD -- as if you're physically ripping them off and putting them on your hard drive. The person who assailed us over it was