

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7--STOCK-BASED COMPENSATION (CONTINUED)

Company's employee stock options and employee stock purchase plan shares have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's employee stock options and employee stock purchase plan shares.

For purposes of pro forma disclosures, the estimated fair value of the options and shares are amortized to pro forma net income (loss) over the options' vesting period and the shares' plan period. The value of the options granted to NeXT optionholders in 1997 has been included in the total purchase price paid for NeXT and, therefore, is not included in the adjustment to arrive at the pro forma net loss. The Company's pro forma information for each of the last three fiscal years follows (in millions, except per share amounts):

	1999	1998	1997
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Net income (loss)--as reported.....	\$ 601	\$ 309	\$(1,045)
Net income (loss)--pro forma.....	\$ 528	\$ 266	\$(1,082)
Net income (loss) per common share--as reported			
Basic.....	\$4.20	\$2.34	\$ (8.29)
Diluted.....	\$3.61	\$2.10	\$ (8.29)
Net income (loss) per common share--pro forma			
Basic.....	\$3.69	\$2.02	\$ (8.58)
Diluted.....	\$3.25	\$1.83	\$ (8.58)

As SFAS No. 123 is applicable only to options granted or shares issued subsequent to September 29, 1995, its pro forma effect was not fully reflected until 1999.

NOTE 8--COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

The Company leases various facilities and equipment under noncancelable operating lease arrangements. The major facilities leases are for terms of 5 to 10 years and generally provide renewal options for terms of up to 5 additional years. Rent expense under all operating leases was approximately \$61 million, \$63 million, and \$106 million in 1999, 1998, and 1997, respectively. Future minimum lease payments under noncancelable operating leases having remaining terms in excess of one year as of September 25, 1999, are as follows (in millions):

FISCAL YEARS	

2000.....	\$ 46
2001.....	41
2002.....	29
2003.....	19
2004.....	14
Later years.....	35

Total minimum lease payments.....	\$184
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