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The Bad Boy of Silicon Alley

By Suzanne Northington



A fast-paced company run on a San Francisco backlot beats the Japanese on features and the Americans on price.

“IF YOU WANT TO BELIEVE IN YOURSELF, START this way,” says John Steven Calder. “Stand back fifty feet from a cliff, start running, and dive off face first with absolutely *no doubt* in your mind that you’re not going to hit bottom.”

That’s vintage Calder—straight from the hip. It’s the kind of brash, breezy talk he unleashes when discussing his favorite subject: Johnathon Freeman Designs, the fledgling computer hardware peripheral company that he founded in 1985 in a cramped artist’s space at Hunters Point. At the time he was an upstart 27-year-old who went after a tiny market that the computer industry had ignored: the market for converters, interfacers, and buffers—the little black boxes that allow Apples to talk to IBMs.

These are not the kinds of sexy high-tech products that will win him instant fame on the cover of *PC World* or even the adulation and respect of Silicon Valley. His little black boxes are ghost-marketed as ho-hum generics under other retailers names, such as Black Box or Inmac. And while buffers and converters are hardly the hottest new technology, there’s money to be made with them—Johnathon Freeman Designs’ sales growth has doubled every three months since the day it opened for business.

Even Calder’s team seems amazed that the operation is expanding so rapidly, with two million dollars in sales this year. “Who would have dreamed that John would make a million off the incompatibility of the PC market—that calculated decision by the IBMs and Apples of the world to design independently?” asks Richard Alexander, a JFD director. Although Calder designed all the products himself, the technology is not unique to JFD. Other Americans, as well as Japanese, have managed to create similar products, but Calder, the street-smart whiz kid, and his Stanford sidekicks have plotted out a strategy to beat the Japanese on features and the Americans on price.

Calder claims it’s really quite elementary: universality. Create peripherals that will marry with any computer system on the market and you’ll have every retailer in the country knocking on your door. Vendors prefer the simplicity of carrying one flexible product, and customers are less confused by a single unit.

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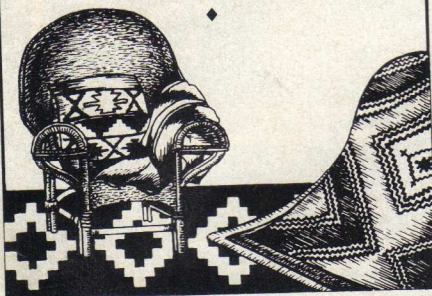
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But cost-cutting is the real coup for JFD: If you don't have to invest labor time making modifications for Apples and AT&Ts and Compaqs, you come out way ahead. That's how Calder keeps his margins fat—and manages to undercut the Americans on price.

There are only a handful of high-tech companies in San Francisco braving the ups and downs of high labor and assembly costs, and Johnathon Freeman Designs is one of them. For Calder, the reason is simple: he loves San Francisco. He'd rather spend his weekends hanging out with SoMa punks than with Silicon Valley blue-suiters. But it's quite a scene at JFD's office facility in a former military base, where Apple engineers comingle with Calder's funk crowd.

"We call it Silicon Alley," says Calder. Call it hard-edged, high-tech funk. After all, who needs a corporate image? Take Calder's private art collection, for example. It's bleak, intimidating, even offensive stuff—just what the art consultants would advise you not to hang on the office walls if you want to develop that "professional look." Calder says he doesn't care much what people think.

But Calder cares about his office space. Recently, he appointed himself guardian of the underdogs at Hunters Point, where he decided to fight the Navy's beefed-up security measures—a calculated effort, he claims, to intimidate the local artists and businesses into vacating. "This is not Gdansk, Poland. This is not South Africa," says Calder. "This is California, 1988, and my civil rights are in jeopardy. They're trying to impose military rules on a civilian population." But marketing manager Ted Sanford says of his confrontational boss, "John just likes a good fight."

CALDER'S A SELF-DESCRIBED POOR KID from Detroit's "wrongest side of the track" who's found a mission in the heady world of California high tech. He can blow into a room and take it over—a big, burly bear of a guy who likes to talk tough and blunt and dirty. He'll lay all his cards on the table, whether or not you're interested. If you're not, you'd best listen anyway.

The making of this entrepreneur is yet another bootstrap tale that's been told before, but not quite like this. As

Calder weaves the tale, it was a Detroit Side Story that had its origin in the shadows of the Teamsters underworld. John's father, a bookie and truck driver, functioned as a kind of enforcer for the union—he strong-armed people and, in return, had countless contracts out on him. Calder remembers constant FBI surveillance and the hit man who staked out his house day after day watching for his father.

"He was one real bad individual, a no-good bum," John says of the father who spent two terms in prison for truck hijacking, extortion, and manslaughter. "He taught me what not to do in life." Once a crony of Jimmy Hoffa, Al Calder has the dubious distinction of having his shady dealings with the Teamsters' boss discussed in Dan Moldea's *The Hoffa Wars*. It was not an easy legacy for young John—years later, when he was working for Dalmo Victor, an electronic warfare-systems maker in Belmont, he feared his father's FBI file would prevent him from getting security clearance.

Coming from a family with an alcoholic father and in which beatings were routine, John took the quickest road out at age 18 by joining the Air Force. That road took him to Travis Air Force Base in Northern California, where he discovered his talent for engineering and mechanics.

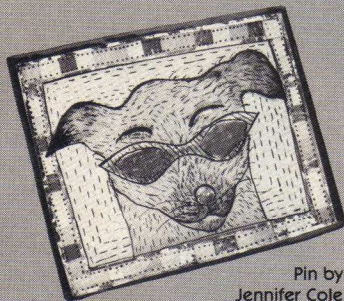
Largely self-taught except for a brief stint at Heald technical school in San Francisco, Calder soon discovered he had a knack for designing things.

But he grew to loathe the military: "No matter how good I was and what I did, I was a second-class citizen. 'Stay in line, don't get outa line, we'll take care a ya, son,'" John recalls. This, however, was not to be Calder's last run-in with the military. Within a few months, he was working with the defense industry again after taking the job with Dalmo Victor as a technician.

Calder was immediately recognized for his engineering creativity, but he viewed himself as an outsider, a rebel. "John has a real contempt for authority," says Bill Salander, a JFD business associate and director. "He's just anti-establishment. He can't really work for anybody."

Perhaps that contempt surfaced in indirect ways, like the time Calder showed up at a major sales presentation after a rugby game—roughed up and

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NEEDS A FRAME



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hung over. His face was puffed up, his lips were swollen, and his eyes were black and blue, but he gave the sales talk anyway. And though senior managers cringed, the performance worked because of Calder's enthusiasm for the product he had created—and Dalmo Victor won the contract.

But despite Calder's engineering talents, his career at Dalmo stagnated. "I ran into a wall at Dalmo—I couldn't go anywhere without that damn degree." Lacking a college education, Calder was relegated to low-level work despite his interest in bigger projects. Frustration was also triggering defiance. "Pardon me, but I don't ride in the backseat of anybody's bus," says Calder. "I'm just some schmuck who was born here. So don't give me somebody else's rules and tell me to follow 'em."

Calder finally managed to break away from military hard-liners and leap headlong into the bright new world of personal computers, catching the industry just as its star was rising. "Consumer electronics was wild . . . wide open, baby," he recalls. "For a huckster like me, all the work I could eat. All the designs I could create." It was at TTX Corporation, a small start-up printer company, that Calder designed the buffer that he would one day market at Johnathon Freeman Designs.

But TTX's rising star fell quickly, and Calder was standing by to pick up the pieces. At the company's bankruptcy auction, he purchased the inventory and manufacturing rights to the very products he had created. Not every entrepreneur can boast that he started a company by charging it on his Visa card, but Calder did just that. He bought the "soon-to-be junk" with \$3500 and set up shop at Hunters Point.

The first year was hardly promising. John, his brother, and his wife spent day after day on the floor assembling the widgets to prepare them for market. Calder couldn't afford to hire anyone, so he did all the tedious labor himself. Not surprisingly, no bank in San Francisco would lend him any money. His financial ratios were so out of line, his cash flow so tight, that his risk profile was outsized, almost laughable. "John had never seen a balance sheet in his life," says Salander, a Stanford MBA who acts as Calder's consultant. "He had never even heard of debt-equity

ratios, inventory turnover, or debt-service." Says Sanford, "Bankers saw JFD as this odd company run by a wild man—why lend to them?"

But within three months, thanks to Calder's investment in sweat equity and the private funding of friends, that \$3500 junk inventory became \$35,000 worth of marketable product. Then came the name—Johnathon Freeman Designs—which sounds more like an interior design firm than a computer manufacturer. But it's classic Calder to do things for sentimental rather than business reasons. "It's named after my grandfather who had a lot of influence on me," he says. "Besides, I hate computer names. Microkinetics? There's no passion in that."

For Calder, it may have been a cliff

**"JOHN HAD NEVER
SEEN A BALANCE
SHEET IN HIS LIFE."**

dive to start up this business, but he likes to point out that he hasn't hit bottom. He expects to expand his market share from 6 percent to nearly 20 percent in three years, primarily by signing exclusive deals with retail catalogs. But it's the products still in blueprint that he believes may be his biggest cash cow—such as the Universal Peripheral Network, JFD's entry into the new era of interconnectivity.

But his own team doesn't agree. The Stanford boys believe that Johnathon Freeman Designs is entering its riskiest phase ever—since what goes up must come down. Start-up growth can't go on forever, and they're not sure Calder's prepared for that. The products themselves could self-destruct if the market changes rapidly and obsolescence sets in. Is Calder really as positioned as he claims for the brave new world of networking and interconnectivity? His boys are skeptical, but Calder's defiant to the bone and optimistic to the core. "From day one," he grins, "my attitude's been—why not?"