

APPLE INC  
Form DEF 14A  
January 07, 2011

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

**Apple Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Edgar Filing: APPLE INC - Form DEF 14A

.. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
  
- (2) Aggregate number of securities to which transaction applies:
  
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
- (4) Proposed maximum aggregate value of transaction:
  
- (5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
  
- (2) Form, Schedule or Registration Statement No.:
  
- (3) Filing Party:

(4) Date Filed:

**APPLE INC.**

**1 Infinite Loop**

**Cupertino, California 95014**

**NOTICE OF 2011 ANNUAL MEETING OF SHAREHOLDERS**

**February 23, 2011**

**10:00 a.m. Pacific Standard Time**

To the shareholders of Apple Inc.:

Notice is hereby given that the 2011 annual meeting of shareholders (the *Annual Meeting*) of Apple Inc., a California corporation (the *Company*), will be held on Wednesday, February 23, 2011 at 10:00 a.m. Pacific Standard Time, in Building 4 of the Company's principal executive offices located at the address shown above for the following purposes, as more fully described in the accompanying proxy statement (the *Proxy Statement*):

1. To elect the Company's Board of Directors (the *Board*). The Board intends to present for election the following seven nominees: William V. Campbell, Millard S. Drexler, Albert A. Gore, Jr., Steven P. Jobs, Andrea Jung, Arthur D. Levinson and Ronald D. Sugar;
2. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2011;
3. To hold an advisory vote on executive compensation;
4. To hold an advisory vote on the frequency of the advisory vote on executive compensation;
5. To consider two shareholder proposals, if properly presented at the Annual Meeting; and
6. To transact such other business as may properly come before the Annual Meeting and any postponement(s) or adjournment(s) thereof.

Only shareholders of record as of the close of business on December 27, 2010 are entitled to receive notice of, to attend, and to vote at, the Annual Meeting.

The Company is pleased to continue to take advantage of the Securities and Exchange Commission (the *SEC*) rules that allow issuers to furnish proxy materials to their shareholders on the Internet. The Company believes these rules allow it to provide you with the information you need while lowering the costs of delivery and reducing the environmental impact of the Annual Meeting.

You are cordially invited to attend the Annual Meeting in person. To ensure that your vote is counted at the Annual Meeting, however, please vote as promptly as possible.

Sincerely,

Edgar Filing: APPLE INC - Form DEF 14A

/s/ D. BRUCE SEWELL  
D. Bruce Sewell  
*Senior Vice President,  
General Counsel and Secretary*

Cupertino, California

January 7, 2011

**APPLE INC.**

**1 Infinite Loop**

**Cupertino, California 95014**

**PROXY STATEMENT**

**FOR**

**2011 ANNUAL MEETING OF SHAREHOLDERS**

**GENERAL INFORMATION**

**Why am I receiving these materials?**

The Company has made these materials available to you on the Internet or, upon your request, has delivered printed versions of these materials to you by mail, in connection with the Company's solicitation of proxies for use at the Annual Meeting to be held on Wednesday, February 23, 2011 at 10:00 a.m. Pacific Standard Time, and at any postponement(s) or adjournment(s) thereof. These materials were first sent or given to shareholders on January 7, 2011. You are invited to attend the Annual Meeting and are requested to vote on the proposals described in this Proxy Statement. The Annual Meeting will be held in Building 4 of the Company's principal executive offices located at the address shown above.

**What is included in these materials?**

These materials include:

This Proxy Statement for the Annual Meeting; and

The Company's Annual Report on Form 10-K for the year ended September 25, 2010, as filed with the SEC on October 27, 2010 (the *Annual Report*).

If you requested printed versions of these materials by mail, these materials also include the proxy card or vote instruction form for the Annual Meeting.

**What items will be voted on at the Annual Meeting?**

Shareholders will vote on six items at the Annual Meeting:

The election to the Board of the seven nominees named in this Proxy Statement (Proposal No. 1);

Ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2011 (Proposal No. 2);

An advisory vote on executive compensation (Proposal No. 3);

An advisory vote on the frequency of the advisory vote on executive compensation (Proposal No. 4);

Edgar Filing: APPLE INC - Form DEF 14A

A shareholder proposal entitled "Amend the Company's Corporate Governance Guidelines to adopt and disclose a written CEO succession planning policy" (Proposal No. 5); and

A shareholder proposal entitled "Adopt a majority voting standard for director elections" (Proposal No. 6).

**What are the Board's voting recommendations?**

The Board recommends that you vote your shares:

FOR each of the nominees to the Board (Proposal No. 1);

FOR ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2011 (Proposal No. 2);

FOR the proposal regarding an advisory vote on executive compensation (Proposal No. 3);

EVERY YEAR for the proposal regarding an advisory vote on the frequency of the advisory vote on executive compensation (Proposal No. 4);

AGAINST the shareholder proposal entitled Amend the Company's Corporate Governance Guidelines to adopt and disclose a written CEO succession planning policy (Proposal No. 5); and

AGAINST the shareholder proposal entitled Adopt a majority voting standard for director elections (Proposal No. 6).

**Where are the Company's principal executive offices located and what is the Company's main telephone number?**

The Company's principal executive offices are located at 1 Infinite Loop, Cupertino, California 95014. The Company's main telephone number is (408) 996-1010.

**What is the Company's fiscal year?**

The Company's fiscal year is the 52 or 53-week period that ends on the last Saturday of September. Unless otherwise stated, all information presented in this Proxy Statement is based on the Company's fiscal calendar.

**Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?**

Pursuant to rules adopted by the SEC, the Company has elected to provide access to its proxy materials via the Internet. Accordingly, the Company is sending a Notice of Internet Availability of Proxy Materials (the *Notice*) to the Company's shareholders. All shareholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice. In addition, shareholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. The Company encourages shareholders to take advantage of the availability of the proxy materials on the Internet to help reduce the environmental impact of its annual meetings.

**I share an address with another shareholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?**

The Company has adopted a procedure called *householding*, which the SEC has approved. Under this procedure, the Company is delivering a single copy of the Notice and, if applicable, this Proxy Statement and the Annual Report to multiple shareholders who share the same address unless the Company has received contrary instructions from one or more of the shareholders. This procedure reduces the Company's printing costs, mailing





costs and fees. Shareholders who participate in householding will continue to be able to access and receive separate proxy cards. Upon written or oral request, the Company will deliver promptly a separate copy of the Notice and, if applicable, this Proxy Statement and the Annual Report to any shareholder at a shared address to which the Company delivered a single copy of any of these documents. To receive a separate copy of the Notice and, if applicable, this Proxy Statement or the Annual Report, shareholders may write or call the Company at the following address and telephone number:

Apple Investor Relations

1 Infinite Loop MS: 301-4IR

Cupertino, California 95014

(408) 974-3123

Shareholders who hold shares in street name (as described below) may contact their brokerage firm, bank, broker-dealer or other similar organization to request information about householding.

### **How can I get electronic access to the proxy materials?**

The Notice will provide you with instructions regarding how to:

View on the Internet the Company's proxy materials for the Annual Meeting; and

Instruct the Company to send future proxy materials to you by email.

The Company's proxy materials are also available on the Company's website at [www.apple.com/investor](http://www.apple.com/investor).

Choosing to receive future proxy materials by email will save the Company the cost of printing and mailing documents to you and will reduce the impact of the Company's annual meetings on the environment. If you choose to receive future proxy materials by email, you will receive an email message next year with instructions containing a link to those materials and a link to the proxy voting website. Your election to receive proxy materials by email will remain in effect until you terminate it.

### **Who may vote at the Annual Meeting?**

Each share of the Company's common stock has one vote on each matter. Only shareholders of record as of the close of business on December 27, 2010 (the *Record Date*) are entitled to receive notice of, to attend and to vote at the Annual Meeting. As of the Record Date, there were 921,043,522 shares of the Company's common stock issued and outstanding, held by 29,356 holders of record.

### **What is the difference between a shareholder of record and a beneficial owner of shares held in street name?**

*Shareholder of Record.* If your shares are registered directly in your name with the Company's transfer agent, Computershare Investor Services, LLC ( *Computershare* ), you are considered the shareholder of record with respect to those shares, and the Notice was sent directly to you by the Company. If you request printed copies of the proxy materials by mail, you will receive a proxy card.

*Beneficial Owner of Shares Held in Street Name.* If your shares are held in an account at a brokerage firm, bank, broker-dealer, or other similar organization, then you are the beneficial owner of shares held in street name, and the Notice was forwarded to you by that organization. The organization holding your account is considered the shareholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to instruct that organization on how to vote the shares held in your account. Those instructions are contained in a vote instruction form. If you request printed copies of the proxy materials by mail, you will receive a vote instruction form.

**If I am a shareholder of record of the Company's shares, how do I vote?**

There are four ways to vote:

*In person.* If you are a shareholder of record, you may vote in person at the Annual Meeting. The Company will give you a ballot when you arrive.

*Via the Internet.* You may vote by proxy via the Internet by following the instructions provided in the Notice.

*By Telephone.* If you request printed copies of the proxy materials by mail, you may vote by proxy by calling the toll free number found on the proxy card.

*By Mail.* If you request printed copies of the proxy materials by mail, you may vote by proxy by filling out the proxy card and sending it back in the envelope provided.

**If I am a beneficial owner of shares held in street name, how do I vote?**

There are four ways to vote:

*In person.* If you are a beneficial owner of shares held in street name and you wish to vote in person at the Annual Meeting, you must obtain a legal proxy from the organization that holds your shares. Please contact that organization for instructions regarding obtaining a legal proxy.

*Via the Internet.* You may vote by proxy via the Internet by visiting [www.proxyvote.com](http://www.proxyvote.com) and entering the control number found in the Notice.

*By Telephone.* If you request printed copies of the proxy materials by mail, you may vote by proxy by calling the toll free number found on the vote instruction form.

*By Mail.* If you request printed copies of the proxy materials by mail, you may vote by proxy by filling out the vote instruction form and sending it back in the envelope provided.

**What is the quorum requirement for the Annual Meeting?**

The holders of a majority of the shares entitled to vote at the Annual Meeting must be present at the Annual Meeting for the transaction of business. This is called a quorum. Your shares will be counted for purposes of determining if there is a quorum, whether representing votes for, against or abstained, if you:

Are present and vote in person at the Annual Meeting; or

Have voted on the Internet, by telephone or by properly submitting a proxy card or vote instruction form by mail.

If a quorum is not present, the Annual Meeting will be adjourned until a quorum is obtained.

**How are proxies voted?**

## Edgar Filing: APPLE INC - Form DEF 14A

All shares represented by valid proxies received prior to the Annual Meeting will be voted and, where a shareholder specifies by means of the proxy a choice with respect to any matter to be acted upon, the shares will be voted in accordance with the shareholder's instructions.

**What happens if I do not give specific voting instructions?**

*Shareholders of Record.* If you are a shareholder of record and you:

Indicate when voting on the Internet or by telephone that you wish to vote as recommended by the Board; or

Sign and return a proxy card without giving specific voting instructions, then the proxy holders will vote your shares in the manner recommended by the Board on all matters presented in this Proxy Statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the Annual Meeting. See the section entitled *Other Matters* below.

*Beneficial Owners of Shares Held in Street Name.* If you are a beneficial owner of shares held in street name and do not provide the organization that holds your shares with specific voting instructions, under the rules of various national and regional securities exchanges, the organization that holds your shares may generally vote on routine matters but cannot vote on non-routine matters. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the organization that holds your shares will inform the inspector of election that it does not have the authority to vote on this matter with respect to your shares. This is generally referred to as a broker non-vote.

**Which ballot measures are considered routine or non-routine ?**

The ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2011 (Proposal No. 2) is a matter considered routine under applicable rules. A broker or other nominee may generally vote on routine matters, and therefore no broker non-votes are expected to exist in connection with Proposal No. 2.

The election of directors (Proposal No. 1), the advisory vote on executive compensation (Proposal No. 3), the advisory vote on the frequency of the advisory vote on executive compensation (Proposal No. 4) and the two shareholder proposals (Proposals No. 5 and No. 6) are matters considered non-routine under applicable rules. A broker or other nominee cannot vote without instructions on non-routine matters, and therefore there may be broker non-votes on Proposals No. 1, No. 3, No. 4, No. 5 and No. 6.

**What is the voting requirement to approve each of the proposals?**

For Proposal No. 1, the seven nominees receiving the highest number of affirmative votes of the shares entitled to be voted for them will be elected as directors to serve until the next annual meeting of shareholders and until their successors are duly elected and qualified. Votes withheld shall have no legal effect.

Approval of Proposals No. 2, No. 3, No. 4, No. 5 and No. 6 requires the affirmative vote of (i) a majority of the shares present or represented by proxy and voting at the Annual Meeting and (ii) a majority of the shares required to constitute the quorum.

**How are broker non-votes and abstentions treated?**

Broker non-votes and abstentions are counted for purposes of determining whether a quorum is present. Only FOR and AGAINST votes are counted for purposes of determining the votes received in connection with each proposal, and therefore broker non-votes and abstentions have no effect on the proposal relating to the election of directors. In the case of each of the other proposals, broker non-votes and abstentions have no effect on determining whether the affirmative vote constitutes a majority of the shares present or represented by proxy and voting at the Annual Meeting. Approval of these other proposals also requires the affirmative vote of a

majority of the shares necessary to constitute a quorum, however, and therefore broker non-votes and abstentions could prevent the approval of these other proposals because they do not count as affirmative votes. In order to minimize the number of broker non-votes, the Company encourages you to provide voting instructions to the organization that holds your shares by carefully following the instructions provided in the Notice.

**Can I change my vote after I have voted?**

You may revoke your proxy and change your vote at any time before the final vote at the Annual Meeting. You may vote again on a later date via the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the Annual Meeting will be counted) by signing and returning a new proxy card or vote instruction form with a later date, or by attending the Annual Meeting and voting in person. However, your attendance at the Annual Meeting will not automatically revoke your proxy unless you vote again at the Annual Meeting or specifically request that your prior proxy be revoked by delivering to the Company's General Counsel at 1 Infinite Loop, Cupertino, California 95014, MS: 301-4GC a written notice of revocation prior to the Annual Meeting.

**Who will serve as the inspector of election?**

A representative from Computershare will serve as the inspector of election.

**Is my vote confidential?**

Proxy instructions, ballots and voting tabulations that identify individual shareholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within the Company or to third parties, except:

As necessary to meet applicable legal requirements;

To allow for the tabulation and certification of votes; and

To facilitate a successful proxy solicitation.

Occasionally, shareholders provide written comments on their proxy cards, which may be forwarded to the Company's management and the Board.

**Where can I find the voting results of the Annual Meeting?**

The preliminary voting results will be announced at the Annual Meeting. The final voting results will be tallied by the inspector of election and published in the Company's Current Report on Form 8-K, which the Company is required to file with the SEC within four business days following the Annual Meeting.

**Who is paying for the cost of this proxy solicitation?**

The Company is paying the costs of the solicitation of proxies. The Company has retained Georgeson Inc. to assist in obtaining proxies by mail, facsimile or email from brokers, bank nominees and other institutions for the Annual Meeting. The estimated cost of such services is \$14,500 plus out-of-pocket expenses. Georgeson Inc. may be contacted at (800) 261-1052.

The Company must also pay brokerage firms and other persons representing beneficial owners of shares held in street name certain fees associated with:

Forwarding the Notice to beneficial owners;

Forwarding printed proxy materials by mail to beneficial owners who specifically request them; and

Obtaining beneficial owners' voting instructions.

In addition to soliciting proxies by mail, certain of the Company's directors, officers and regular employees, without additional compensation, may solicit proxies personally or by telephone, facsimile or email on the Company's behalf.

**How can I attend the Annual Meeting?**

Attendance at the Annual Meeting is limited to shareholders. Admission to the Annual Meeting will be on a first-come, first-served basis. Registration will begin at 9:00 a.m. Pacific Standard Time on the date of the Annual Meeting, and each shareholder may be asked to present valid picture identification such as a driver's license or passport and proof of stock ownership as of the Record Date. The use of cell phones, smartphones, pagers, recording and photographic equipment and/or computers is not permitted in the meeting rooms at the Annual Meeting.

**What is the deadline to propose actions for consideration or to nominate individuals to serve as directors at the 2012 annual meeting of shareholders?**

*Requirements for Shareholder Proposals to Be Considered for Inclusion in the Company's Proxy Materials.* Shareholder proposals to be considered for inclusion in the proxy statement and form of proxy relating to the 2012 annual meeting of shareholders must be received no later than September 9, 2011. In addition, all proposals will need to comply with Rule 14a-8 of the Securities Exchange Act of 1934 (the *Exchange Act*), which lists the requirements for the inclusion of shareholder proposals in company-sponsored proxy materials. Shareholder proposals must be delivered to the Company's General Counsel by mail at 1 Infinite Loop, Cupertino, California 95014, MS: 301-4GC, by facsimile at (408) 253-7457 or by email at [shareholderproposal@apple.com](mailto:shareholderproposal@apple.com).

*Requirements for Shareholder Proposals to Be Brought Before the 2012 Annual Meeting of Shareholders.* Notice of any director nomination or other proposal that you intend to present at the 2012 annual meeting of shareholders, but do not intend to have included in the proxy statement and form of proxy relating to the 2012 annual meeting of shareholders, must be delivered to the Company's General Counsel by mail at 1 Infinite Loop, Cupertino, California 95014, MS: 301-4GC, by facsimile at (408) 253-7457 or by email at [shareholderproposal@apple.com](mailto:shareholderproposal@apple.com) not earlier than the close of business on October 26, 2011 and not later than the close of business on November 25, 2011. In addition, your notice must set forth the information required by the Company's bylaws with respect to each director nomination or other proposal that you intend to present at the 2012 annual meeting of shareholders.

---

**DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**
**Directors**

Listed below are the Company's seven directors. Jerome B. York passed away on March 18, 2010, and Eric E. Schmidt resigned from the Board effective July 31, 2009, resulting in two vacancies on the Board. The Board appointed Ronald D. Sugar to fill one of the vacancies on November 16, 2010 and has nominated him for election at the Annual Meeting. The Board has not nominated an individual to fill the remaining vacancy. The remaining six of the Company's directors are nominated for re-election at the Annual Meeting. Each of the directors elected at the Annual Meeting will serve a one-year term expiring at the next annual meeting of shareholders. At the Annual Meeting, proxies cannot be voted for a greater number of individuals than the seven nominees named in this Proxy Statement.

The Board comprises a diverse group of leaders in their respective fields. Many of the current directors have senior leadership experience at major domestic and international companies. In these positions, they have also gained significant and diverse management experience, including strategic and financial planning, public company financial reporting, compliance, risk management and leadership development. Many of the directors also have experience serving as executive officers, or on boards of directors and board committees of other public companies, and have an understanding of corporate governance practices and trends. Other directors have experiences as directors or trustees of significant academic, research, nonprofit and philanthropic institutions, which bring unique perspectives to the Board. The biographies below describe the skills, qualities, attributes and experiences of each of the nominees that led the Board to determine that it is appropriate to nominate these directors.

The Nominating and Corporate Governance Committee of the Board (the *Nominating Committee*) and the Board believe the skills, qualities, attributes and experiences of its directors provide the Company with business acumen and a diverse range of perspectives to engage each other and management to effectively address the evolving needs of the Company and represent the best interests of the Company's shareholders.

Name	Position With the Company	Age as of the Annual Meeting	Director Since
William V. Campbell	Director	70	1997
Millard S. Drexler	Director	66	1999
Albert A. Gore, Jr.	Director	62	2003
Steven P. Jobs	Director and Chief Executive Officer	56	1997
Andrea Jung	Co-lead Director	52	2008
Arthur D. Levinson	Co-lead Director	60	2000
Ronald D. Sugar	Director	62	2010

**William V. Campbell** has been Chairman of Intuit Inc. ( *Intuit* ) since August 1998 and a director of Intuit since May 1994. Mr. Campbell also is Chair of the Board of Trustees of Columbia University and a director of The National Football Foundation & College Hall of Fame, Inc. Among other qualifications, Mr. Campbell brings to the Board executive leadership experience, including his service as a Chairman of a public company, along with extensive financial expertise and technological and industry experience.

**Millard S. Drexler** has been Chairman and Chief Executive Officer of J.Crew Group, Inc. since January 2003. Previously, Mr. Drexler was Chief Executive Officer of The Gap, Inc. ( *Gap* ) from 1995 and President from 1987 to September 2002. Mr. Drexler also was a director of Gap from November 1983 to October 2002. Among other qualifications, Mr. Drexler brings to the Board executive leadership experience, including his service as a chief executive officer of a public company, along with extensive brand marketing experience.



**Albert A. Gore, Jr.** has served as Chairman of Current TV since 2002, Chairman of Generation Investment Management since 2004 and a partner of Kleiner Perkins Caufield & Byers since 2007. Mr. Gore also is Chairman of the Alliance for Climate Protection. Among other qualifications, Mr. Gore brings to the Board executive leadership experience, a valuable and different perspective due to his extensive background in politics, government and environmental rights, along with experience in asset management and venture capital.

**Steven P. Jobs** is one of the Company's co-founders and currently serves as its Chief Executive Officer. Mr. Jobs also has been a director of The Walt Disney Company ( *Disney* ) since May 2006. His experience includes over a decade of leading a high growth technology company.

**Andrea Jung** joined Avon Products, Inc. ( *Avon* ) in January 1994 and has been Chairman and Chief Executive Officer of Avon since September 2001, having previously served as Chief Executive Officer of Avon since November 1999 and as a director of Avon since January 1998. Since July 1998, Ms. Jung also has been a director of General Electric Company, where she serves on the Management Development and Compensation Committee and the Nominating and Corporate Governance Committee. She also is a member of the New York Presbyterian Hospital Board of Trustees, a director of Catalyst, a nonprofit corporate membership research and advisory organization, and Chairman of the World Federation of Direct Selling Associations. Among other qualifications, Ms. Jung brings to the Board executive leadership experience, including her service as a chief executive officer of a large public multinational company, along with extensive brand marketing and consumer products experience.

**Arthur D. Levinson** has been Chairman of Genentech, Inc. ( *Genentech* ) since September 1999. Previously, Dr. Levinson also served as Chief Executive Officer of Genentech from July 1995 to April 2009. Since May 2009, Dr. Levinson has served as an advisor to Genentech's Research and Early Development center and as a member of the Scientific Resource Board, Genentech's external advisory group. Dr. Levinson is a director of NGM Biopharmaceuticals, Inc. He also serves as a director of Amyris, Inc., on the Board of Scientific Consultants of the Memorial Sloan-Kettering Cancer Center, on the Industrial Advisory Board of the California Institute for Quantitative Biomedical Research, on the Advisory Council for the Princeton University Department of Molecular Biology, on the Advisory Council for the Lewis-Sigler Institute for Integrative Genomics and on the Executive Council of TechNet. Among other qualifications, Dr. Levinson brings to the Board executive leadership experience, including his service as a chairman of a public company, along with extensive financial expertise and brand marketing experience.

**Ronald D. Sugar** is the retired Chairman of the Board and Chief Executive Officer of Northrop Grumman Corporation ( *Northrop Grumman* ). Dr. Sugar was Chairman of the Board and Chief Executive Officer of Northrop Grumman Corporation from 2003 until 2009 and President and Chief Operating Officer from 2001 until 2003. He was President and Chief Operating Officer of Litton Industries, Inc. from 2000 until the company was acquired by Northrop Grumman in 2001. He was earlier Chief Financial Officer of TRW Inc. Dr. Sugar has also been a director of Amgen Inc. since July 2010, and of Chevron Corporation since April 2005. Dr. Sugar is a member of the National Academy of Engineering, trustee of the University of Southern California, director of the Los Angeles Philharmonic Association and national trustee of the Boys and Girls Clubs of America. Among other qualifications, Dr. Sugar brings to the Board executive leadership experience as a chairman and chief executive officer of a major public company, financial expertise as a former chief financial officer, understanding of advanced technology and a global business perspective from his service on other boards.

#### **Role of the Board; Corporate Governance Matters**

The Board oversees the Company's Chief Executive Officer (the *CEO* ) and other senior management in the competent and ethical operation of the Company and assures that the long-term interests of the shareholders are being served. The key practices and procedures of the Board are outlined in the Corporate Governance Guidelines available on the Company's website at [www.apple.com/investor](http://www.apple.com/investor).

The Board met a total of four times during 2010. The Board has determined that all Board members, excluding Mr. Jobs, are independent under the applicable NASDAQ and SEC rules.

**Board Leadership Structure**

The Company does not have a Chairman of the Board, but has two independent Co-lead Directors. The Board believes that this structure enhances the Board’s oversight of, and independence from, management, the ability of the Board to carry out its roles and responsibilities on behalf of the shareholders and the Company’s overall corporate governance. This leadership structure also allows the CEO to focus his time and energy on operating and managing the Company and leverage the experiences and perspectives of the two independent Co-lead Directors.

**Board Committees**

The Board has a standing Audit and Finance Committee (the *Audit Committee*), Compensation Committee, and Nominating Committee. The Board has determined that the Chairs and all committee members are independent under the applicable NASDAQ and SEC rules. The members of the committees are identified in the table below.

Director	Audit and Finance Committee	Compensation Committee	Nominating and Corporate Governance Committee
William V. Campbell	X		
Millard S. Drexler		X	X
Albert A. Gore, Jr.		X	X
Steven P. Jobs			
Andrea Jung		Chair	
Arthur D. Levinson	X		Chair
Ronald D. Sugar	Chair		

The Audit Committee is responsible primarily for overseeing the services performed by the Company’s independent registered public accounting firm and internal audit department, evaluating the Company’s accounting policies and system of internal controls, reviewing significant financial transactions and oversight of enterprise risk management. The Audit Committee met a total of nine times during 2010.

The Compensation Committee is responsible primarily for reviewing the compensation arrangements for the Company’s executive officers, including the CEO, administering the Company’s equity compensation plans and reviewing the compensation of the Board. The Compensation Committee’s authority to grant equity awards may not be delegated to the Company’s management or others. The Compensation Committee met a total of five times during 2010. For a description of the Compensation Committee’s processes and procedures, including the roles of the Company’s executive officers and independent compensation consultants in the Compensation Committee’s decision-making process, please see the section entitled *Compensation Discussion and Analysis* below.

The Nominating Committee assists the Board in identifying qualified individuals to become directors, makes recommendations to the Board concerning the size, structure and composition of the Board and its committees, monitors the process to assess the Board’s effectiveness and is primarily responsible for oversight of corporate governance, including implementing the Company’s Corporate Governance Guidelines. In evaluating potential nominees to the Board, the Nominating Committee considers, among other things, independence, character, ability to exercise sound judgment, age, demonstrated leadership, skills, including financial literacy, and experience in the context of the needs of the Board. The Nominating Committee is also committed to actively seeking out highly qualified women and individuals from minority groups to include in the pool from

which Board nominees are chosen. The Nominating Committee considers candidates proposed by shareholders and evaluates them using the same criteria as for other candidates. The Nominating Committee met a total of five times during 2010 and met after the end of the fiscal year to recommend to the full Board each of the nominees for election to the Board, as presented herein.

The Audit Committee, Compensation Committee and Nominating Committee operate under written charters adopted by the Board. These charters are available on the Company's website at [www.apple.com/investor](http://www.apple.com/investor).

During 2010, each member of the Board attended or participated in 75% or more of the aggregate of (i) the total number of meetings of the Board (held during the period for which such person has been a director) and (ii) the total number of meetings held by all committees of the Board on which such person served (during the periods that such person served).

There are no family relationships among executive officers and directors of the Company.

### **Board Oversight of Risk Management**

The Board believes that evaluating how the executive team manages the various risks confronting the Company is one of its most important areas of oversight. In carrying out this critical responsibility, the Board has designated the Audit Committee with primary responsibility for overseeing enterprise risk management. A Risk Oversight Committee consisting of key members of management, including the Company's Chief Financial Officer and General Counsel, was formed to assist the Audit Committee in fulfilling its oversight responsibilities with regard to risks inherent to the business of the Company, the identification, assessment, management, and monitoring of those risks, and risk management decisions, practices, and activities of the Corporation. The Risk Oversight Committee reports regularly to the Audit Committee, and the Audit Committee makes periodic reports to the Board regarding such briefings.

While the Audit Committee has primary responsibility for overseeing enterprise risk management, each of the other Board committees also considers risk within its area of responsibility. For example, the Nominating Committee reviews risks related to legal and regulatory compliance as they relate to corporate governance structure and processes, and the Compensation Committee reviews risks related to compensation matters. The Board is apprised by the committee chairs of significant risks and management's response to those risks via periodic reports. While the Board and its committees oversee risk management strategy, management is responsible for implementing, supervising day-to-day risk management processes and reporting to the Board and its committees on such matters.

With respect to risk related to compensation matters, the Compensation Committee considers, in establishing and reviewing the Company's executive compensation program, whether the program encourages unnecessary or excessive risk taking and has concluded that it does not. Executives' base salaries are fixed in amount and thus do not encourage risk-taking. Bonuses are capped and are tied to overall corporate performance, and also are a relatively small percentage of executive officers' total compensation opportunities. The majority of compensation provided to the executive officers is in the form of long-term equity awards that are important to help further align executives' interests with those of the Company's shareholders. The Compensation Committee believes that these awards do not encourage unnecessary or excessive risk-taking since the ultimate value of the awards is tied to the Company's stock price, and since awards are staggered and subject to long-term vesting schedules to help ensure that executives have significant value tied to long-term stock price performance.

The Compensation Committee has also reviewed the Company's compensation programs for employees generally and has concluded that these programs do not create risks that are reasonably likely to have a material adverse effect on the Company. The Compensation Committee believes that the design of the Company's annual cash and long-term equity incentives provides an effective and appropriate mix of incentives to help ensure the Company's performance is focused on long-term stockholder value creation and does not encourage the taking of

short-term risks at the expense of long-term results. In general, bonus opportunities for Company employees are capped, and the Company has discretion to reduce bonus payments (or pay no bonus) based on individual performance and any other factors it may determine to be appropriate in the circumstances. As with the compensation of the Company's executive officers, a substantial portion of the compensation for employees generally is delivered in the form of equity awards that help further align the interests of employees with those of shareholders.

#### **Audit Committee Financial Experts**

The Board has determined that each member of the Audit Committee, Drs. Levinson and Sugar and Mr. Campbell, qualifies as an audit committee financial expert as defined by the SEC and also meets the additional criteria for independence of audit committee members set forth in Rule 10A-3(b)(1) under the Exchange Act.

#### **Code of Ethics**

The Company has a code of ethics, *Business Conduct: The Way We Do Business Worldwide*, that applies to all of the Company's employees, including its principal executive officer, principal financial officer and principal accounting officer, and the Board. A copy of this code is available on the Company's website at [www.apple.com/investor](http://www.apple.com/investor). The Company intends to disclose any changes in or waivers from its code of ethics by posting such information on its website or by filing a Form 8-K.

#### **Compensation of Directors**

The Board determines the form and amount of director compensation after its review of recommendations made by the Compensation Committee. A substantial portion of each director's annual retainer is in the form of equity. Under the Company's 1997 Director Stock Plan as amended in November 2009 (the *Director Plan*), members of the Board who are not also Company employees (*Non-Employee Directors*) are granted restricted stock units (*RSUs*) on the date of the annual meeting of shareholders (each, an *Annual RSU Award*), provided that a Non-Employee Director who joined the Board prior to February 25, 2010 and has not served on the Board for at least three years as of the date of the annual meeting of shareholders, will not receive an Annual RSU Award in connection with the annual meeting of shareholders. The number of RSUs subject to each Annual RSU Award granted under the Director Plan is determined by dividing \$200,000 by the per-share closing price of the Company's common stock on the date of grant (rounded to the nearest whole share). All Annual RSU Awards will vest on February 1 of the year following the year in which the award is granted.

A Non-Employee Director who is newly elected or appointed to the Board other than in connection with an annual meeting of shareholders will generally also receive a grant of RSUs upon his or her election or appointment (each, an *Initial RSU Award*), except that a Non-Employee Director who joins the Board after February 1 of a particular year and prior to the annual meeting of shareholders for that year will not receive an Initial RSU Award. The number of RSUs subject to each Initial RSU Award granted under the Director Plan is determined in the same manner as described above for Annual RSU Awards, but the grant-date value of the award is prorated based on the portion of the year that has passed since the last annual meeting. Initial RSU Awards will vest on the vesting date established for the Annual RSU Awards made at the last annual meeting prior to the date on which the Non-Employee Director joined the Board.

Prior to the November 2009 amendment, the Director Plan provided that Non-Employee Directors would receive a stock option grant for 30,000 shares upon joining the Board that was subject to a three-year vesting schedule, and stock options for 10,000 shares on the fourth anniversary of their election or appointment to the Board and each anniversary thereafter for as long as they continued to serve on the Board. These grants were generally intended as compensation for the preceding year's service on the Board.

As amended in November 2009, the Director Plan provides for the Non-Employee Directors to receive a one-time, prorated stock option grant (each such grant, a *Transition Option Grant*). The Transition Option Grants are intended to compensate directors for periods of service that would not otherwise be covered due to the change in the timing of the annual grants from the anniversary of the date each director joined the Board to the annual meeting date. Because each Non-Employee Director generally had a different appointment date, and therefore a correspondingly different annual option grant date, the size of each Transition Option Grant generally differed as well. For example, a Non-Employee Director who was scheduled to be granted an annual option under the prior director grant program on August 25, 2010 (i.e., six months after the 2010 annual meeting) would instead have been granted at the 2010 annual meeting (held on February 25, 2010) an Annual RSU Award and a Transition Option Grant for 5,000 shares of the Company's common stock (i.e., 50% of the 10,000 shares subject to the annual option grant under the prior program, with the Transition Option Grant being related to the director's service on the Board for the period from August 25, 2009 through February 25, 2010).

The Transition Option Grants were generally made to the Non-Employee Directors in office at the time of the 2010 annual meeting of shareholders, except that the Transition Option Grant for Ms. Jung will be made at the 2011 annual meeting of shareholders because the initial option granted to her upon her joining the Board in January 2008 had not fully vested as of the 2010 annual meeting date. As shown in Column (d) of the table below, the number of shares subject to each Transition Option Grant were as follows: Mr. Campbell, 5,589 shares; Mr. Drexler, 7,562 shares; Mr. Gore, 9,397 shares; Dr. Levinson, 5,342 shares; and Mr. York, 5,589 shares. As noted previously, Ms. Jung will receive her Transition Option Grant at the 2011 annual meeting of shareholders, which will be the last Transition Option Grant awarded under the amended Director Plan. Each of the Transition Option Grants is fully vested and immediately exercisable on the date of grant, has an exercise price equal to the closing price of the Company's common stock on the date of grant and has a maximum term of 10 years.

Non-Employee Directors also receive a \$50,000 annual retainer paid in quarterly installments, and the Chair of the Audit Committee receives an additional annual retainer of \$25,000. Other than the Chair of the Audit Committee, directors do not receive any additional compensation for serving as a Chair or member of any other committee.

In addition, under the Company's Board of Directors Equipment Program, each Non-Employee Director is eligible to receive, upon request and free of charge, one of each new product introduced by the Company and is eligible to purchase additional equipment at a discount.

**Director Compensation 2010**

The following table presents information regarding the compensation paid during 2010 to Non-Employee Directors who served on the Board during the year. The compensation paid to Mr. Jobs is presented below under Executive Compensation in the table entitled Summary Compensation Table 2010, 2009 and 2008 and the related explanatory tables. Mr. Jobs does not receive any compensation for his services as a member of the Board.

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation	All Other Compensation	Total
					Earnings		
(a)	(\$) (b)	\$(1) (c)	\$(1) (d)	(\$) (e)	(\$) (f)	\$(2) (g)	(\$) (h)
William V. Campbell(3)	62,500	199,980	606,854			4,350	873,684
Millard S. Drexler	50,000	199,980	821,082			5,196	1,076,258
Albert A. Gore, Jr.	50,000	199,980	1,020,326			8,125	