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APPLE INC

FORM 10-Q
(Quarterly Report)

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Address	ONE INFINITE LOOP CUPERTINO, CA 95014
Telephone	(408) 996-1010
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Symbol	AAPL
SIC Code	3571 - Electronic Computers
Industry	Computer Hardware
Sector	Technology
Fiscal Year	09/30

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Form 10-Q

(Mark One)

[X] Quarterly report pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the quarterly period ended June 30, 1995 or

[ ] Transition report pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 0-10030

APPLE COMPUTER, INC.

(Exact name of Registrant as specified in its charter)

CALIFORNIA [State or other jurisdiction of incorporation or organization]	94-2404110 [I.R.S. EmployerIdentification No.]
1 Infinite Loop Cupertino California [Address of principal executive offices]	95014 [Zip Code]

Registrant's telephone number, including area code: (408) 996-1010

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

122,691,266 shares of Common Stock Issued and Outstanding as of August 4,1995

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

APPLE COMPUTER, INC.

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Dollars in millions, except per share amounts)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	June 30, 1995	July 1, 1994	June 30, 1995	July 1, 1994
Net sales	$ 2,575	$ 2,150	$ 8,059	$ 6,695
Costs and expenses:				
Cost of sales	1,847	1,576	5,822	5,030
Research and development	168	135	443	422
Selling, general and administrative	404	333	1,205	1,038
Restructuring costs	(6)	(127)	(23)	(127)
	2,413	1,917,	7,447	6,363
Operating income	162	233	612	332
Interest and other income (expense), net	2	(10)	(33)	(17)
Income before provision for income taxes	164	223	579	315
Provision for income taxes	61	85	215	120
Net income	$ 103	$ 138	$ 364	$ 195
Earnings per common and common equivalent share	$ 0.84	$ 1.16	$ 2.97	$ 1.65
Cash dividends paid per common share	$ 0.12	$ 0.12	$ 0.36	$ 0.36
Common and common equivalent shares used in the calculations of earnings per share (in thousands)	123,203	118,860	122,482	118,253

See accompanying notes.

APPLE COMPUTER, INC.

CONSOLIDATED BALANCE SHEETS

ASSETS
(In millions)

	June 30, 1995 (Unaudited)	September 30, 1994
Current assets:		
Cash and cash equivalents	$ 1,168	$ 1,203
Short-term investments	508	55
Accounts receivable, net of allowance for doubtful accounts of $98($91 at September 30, 1994)	1,553	1,581
Inventories:		
Purchased parts	690	469
Work in process	188	207
Finished goods	489	412
	1,367	1,088
Deferred tax assets	286	293
Other current assets	309	256
Total current assets	5,191	4,476
Property, plant, and equipment:		
Land and buildings	486	484
Machinery and equipment	639	573
Office furniture and equipment	150	158
Leasehold improvements	225	237
	1,500	1,452
Accumulated depreciation and amortization	(809)	(785)
Net property, plant, and equipment	691	667
Other assets	230	160
	$ 6,112	$ 5,303

See accompanying notes.

APPLE COMPUTER, INC.

CONSOLIDATED BALANCE SHEETS (Continued)

LIABILITIES AND SHAREHOLDERS' EQUITY
(Dollars in millions)

	June 30, 1995 (Unaudited)	September 30, 1994
Current liabilities:		
Short-term borrowings	$ 406	$ 292
Accounts payable	1,048	882
Accrued compensation and employee benefits	145	137
Accrued marketing and distribution	189	178
Other current liabilities	390	455
Total current liabilities	2,178	1,944
Long-term debt	303	305
Deferred tax liabilities	803	671
Shareholders' equity:		
Common stock, no par value; 320,000,000 shares authorized; 121,905,285 shares issued and outstanding at June 30, 1995 (119,542,527 shares at September 30, 1994)	356	298
Retained earnings	2,419	2,096
Accumulated translation adjustment	53	(11)
Total shareholders' equity	2,828	2,383
	$ 6,112	$ 5,303

See accompanying notes.

APPLE COMPUTER, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In millions)

	NINE MONTHS ENDED June 30, 1995	NINE MONTHS ENDED July 1, 1994
Cash and cash equivalents, beginning of the period	$ 1,203	$ 676
Operations:		
Net income	364	196
Adjustments to reconcile net income to cash generated by operations:		
Depreciation and amortization	104	122
Net book value of property, plant, and equipment retirements	1	11
Changes in assets and liabilities:		
Accounts receivable	28	105
Inventories	(279)	310
Other current assets	(46)	--
Accounts payable	167	(47)
Accrued restructuring costs	(43)	(233)
Other current liabilities	5	5
Deferred tax liabilities	132	26
Cash generated by operations	433	495
Investments:		
Purchase of short-term investments	(1,558)	(257)
Proceeds from sale of short-term investments	1,105	386
Purchase of property, plant, and equipment	(110)	(123)
Other	(23)	(35)
Cash (used for) investment activities	(586)	(29)
Financing:		
Increase (decrease) in short-term borrowings	114	(308)
Increase (decrease) in long-term borrowings	(4)	298
Increases in common stock, net of related tax benefits and changes in notes receivable from shareholders	51	52
Cash dividends	(43)	(42)
Cash generated by (used for) financing activities	118	--
Total cash generated (used)	(35)	466
Cash and cash equivalents, end of the period	$ 1,168	$ 1,142

See accompanying notes.

APPLE COMPUTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Interim information is unaudited; however, in the opinion of the Company's management, all adjustments necessary for a fair statement of interim results have been included. All adjustments are of a normal recurring nature unless specified in a separate note included in these Notes to Consolidated Financial Statements. The results for interim periods are not necessarily indicative of results to be expected for the entire year. These financial statements and notes should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the fiscal year ended September 30, 1994, included in its Annual Report on Form 10-K for the year ended September 30, 1994 (the "1994 Form 10-K").

2. The Company lowered its estimates of the total remaining costs associated with its restructuring plan initiated in the third quarter of 1993 and recorded adjustments that increased income by $17 million ($11 million, or $0.09 per share, after taxes) and $6 million ($4 million, or $0. 03 per share, after taxes) in the first and third quarters of 1995, respectively. These adjustments primarily reflected favorable cancellation settlements of certain R&D project commitments and facility leases and the completion of other actions at lower costs than originally estimated.

At June 30, 1995, the Company had $15 million of accrued restructuring costs for actions that are currently under way. Approximately $6 million in charges to the accrual are expected to be incurred during 1995 with the remaining $9 million incurred beyond 1995. Charges to be incurred beyond 1995 relate primarily to recurring payments under certain noncancelable operating leases.

3. Interest and other income (expense), net, consists of the following:

(In millions)

	Three Months Ended		Nine Months Ended	
	June 30, 1995	July 1, 1994	June 30, 1995	July 1, 1994
Interest income	$ 32	$ 9	$ 76	$ 27
Interest expense	(16)	(9)	(33)	(27)
Gain (loss) on foreign exchange instruments	4	(2)	(40)	8
Net premiums and discounts earned (paid) on forward and option foreign exchange instruments	(17)	(9)	(34)	(26)
Other income (expense), net	(1)	1	(2)	1
	$ 2	$ (10)	$ (33)	$ (17)

4. Effective October 1, 1994, the Company adopted Financial Accounting Standard No. 115 (FAS 115), "Accounting for Certain Investments in Debt and Equity Securities". In accordance with FAS 115, prior period financial statements have not been restated to reflect the change in accounting principle. The cumulative effect of the change was not material to shareholders' equity as of October 1, 1994. Under FAS 115, debt securities that a company has both the positive intent and ability to hold to maturity are carried at amortized cost. Debt securities that a company does not have the positive intent and ability to hold to maturity and all marketable equity securities are classified as either available-for-sale or trading and are carried at fair value. Generally, unrealized holding gains and losses on securities classified as available-for-sale are reported as a component of shareholders' equity. Unrealized holding gains and losses on securities classified as trading are included in earnings.

The Company's cash equivalents consist primarily of certificates of deposit, time deposits and commercial paper with maturities of three months or less at the date of purchase. Short-term investments consist principally of commercial paper with maturities between three and twelve months. The Company's marketable equity securities consist of securities issued by U.S. corporations and are included in "Other assets" on the accompanying balance sheet. As of June 30, 1995, the Company's cash equivalents, short-term investments and marketable equity securities are classified as available-for-sale.

The adjustments recorded to shareholders' equity for unrealized holding gains (losses) on available-for-sale cash equivalents and short-term investments were not material either individually or in the aggregate, at June 30, 1995. The net adjustment recorded to shareholders' equity for unrealized holding gains (losses) related to marketable equity securities was an unrealized gain of approximately $39 million at June 30, 1995. The realized gains (losses) recorded to earnings on sales of available-for-sale securities, either individually or in the aggregate, were not material for the three and nine months ended June 30, 1995.

5. U.S. income taxes have not been provided on a cumulative total of $391 million of undistributed earnings of the Company's foreign subsidiaries. It is intended that these earnings will be indefinitely invested in operations outside the United States. It is not practicable to determine the income tax liability that might be incurred if these earnings were to be distributed. Except for such indefinitely invested earnings, the Company provides for federal and state income taxes currently on undistributed earnings of foreign subsidiaries.

The Internal Revenue Service (IRS) has proposed federal income tax deficiencies for the years 1984 through 1991, and the Company has made certain prepayments thereon. The Company contested the proposed deficiencies for the years 1984 through 1988, and most of the issues in dispute for these years have been resolved. On June 29, 1995, the IRS issued a notice of deficiency proposing increases to the amount of the Company's federal income taxes for the years 1989 through 1991. The Company intends to file a petition with the United States Tax Court to contest these alleged tax deficiencies. Management believes that adequate provision has been made for any adjustments that may result from these tax examinations.

6. Earnings per share is computed using the weighted average number of common and dilutive common equivalent shares attributable to stock options outstanding during the period.

7. Certain prior year amounts on the consolidated balance sheets and the consolidated statements of cash flows have been reclassified to conform to the current period presentation.

8. On July 18, 1995, the Board of Directors declared a cash dividend of $0.12 per share for the Company's third fiscal quarter ended June 30, 1995. The dividend is payable on September 8, 1995, to shareholders of record as of August 18, 1995.

9. The information set forth in Item 1 of Part II hereof is hereby incorporated by reference.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the consolidated financial statements and notes thereto. All information is based on Apple's fiscal calendar.
(Tabular information: Dollars in millions, except per share amounts)

Results of Operations

	Third Quarter			Nine Months		
	1995	1994	Change	1995	1994	Change
Net sales	$ 2,575	$ 2,150	19.8%	$ 8,059	$ 6,695	20.4%
Gross margin	$ 728	$ 574	26.8%	$ 2,237	$ 1,665	34.4%
Percentage of net sales	28.3%	26.7%		27.8%	24.9%	
Operating expenses (excluding restructuring costs)	$ 572	$ 468	22.2%	$ 1,648	$ 1,460	12.9%
Percentage of net sales	22.2%	21.8%		20.4%	21.8%	
Restructuring costs	$ (6)	$ (127)	-95.3%	$ (23)	$ (127)	-81.9%
Percentage of net sales	-0.2%	-5.9%		-0.3%	-1.9%	
Interest and other income (expense), net	$ 2	$ (10)	120.0%	$ (33)	$ (17)	-94.1%
Net income	$ 103	$ 138	-25.4%	$ 364	$ 195	86.7%
Earnings per share	$ 0.84	$ 1.16	-27.6%	$ 2.97	$ 1.65	80.0%

Net sales for the third quarter and first nine months of 1995 increased over the comparable periods of 1994, primarily resulting from a combination of unit growth, higher average selling prices and changes in currency exchange rates. The increase in average selling prices was driven by a shift in mix towards the Company's newer products and products with multi- media configurations. Specifically, the Company recorded strong sales of products within its Performa(registered trademark) family and the Power Macintosh(Trademark) family ofpersonal computers. Increased sales of these products contributed to an increase in the average aggregate revenue per Macintosh(registered trademark) computer unit of approximately 8% and 14% in the third quarter and first nine months of 1995, respectively, over the comparable periods of 1994. Total Macintosh computer unit sales increased 20% and 12% in the third quarter and first nine months of 1995, respectively, over the comparable periods of 1994. This unit sales growth principally resulted from strong sales of the Company's Power Macintosh products which account for over 50% of total unit shipments at the end of the third quarter of 1995, compared with 27% in the comparable period of 1994, and from newer product offerings within the Performa family of desktop personal computers. This unit growth was partially offset by declining unit sales of certain of the Company's older product offerings.

International net sales grew 24% and 26% in the third quarter and first nine months of 1995, respectively, over the comparable periods of 1994, primarily reflecting strong net sales growth in the Pacific region, particularly Japan, and favorable changes in currency exchange rates. Net sales for the third quarter and first nine months of 1995 grew moderately in Europe over the comparable periods of 1994. International net sales represented 49% and 50% of total net sales for the third quarter and first nine months of 1995, respectively, compared with 47% and 48%, respectively, for the corresponding periods of 1994. Domestic net sales grew 16% in both the third quarter and first nine months of 1995, respectively, over the comparable periods of 1994, primarily resulting from strong growth in the education and business markets.

In general, the Company's resellers typically purchase products on an as- needed basis. Resellers frequently change delivery schedules and order rates depending on changing market conditions. Unfilled orders ("backlog") can be, and often are, canceled at will. The Company attempts to fill orders on the requested delivery schedules. However, products may be in relatively short supply from time to time until production volumes have reached a level sufficient to meet demand or if other production or fulfillment constraints exist. The Company's backlog increased to approximately $1,047 million at August 4, 1995, from approximately $795 million at May 5, 1995, primarily due to backlog of the Company's Power Macintosh products.

In the Company's experience, the actual amount of product backlog at any particular time is not a meaningful indication of its future business prospects. In particular, backlog often increases in anticipation of or immediately following introduction of new products because of over-ordering by dealers anticipating shortages. Backlog often is reduced sharply once dealers and customers believe they

can obtain sufficient supply. Because of the foregoing, as well as other factors affecting the Company's backlog, backlog should not be considered a reliable indicator of the Company's future revenue or financial performance. Further information regarding the Company's backlog may be found under Part I, Item 2 of this Form 10-Q under the heading "Factors that May Affect Future Results and Financial Condition", which information is hereby incorporated by reference.

Gross Margin

Gross margin represents the difference between the Company's net sales and its cost of goods sold. The amount of revenue generated by the sale of products is influenced principally by the price set by the Company for its products relative to competitive products. The cost of goods sold is based primarily on the cost of components and to a lesser extent, direct labor costs. The type and cost of components included in particular configurations of the Company's products (such as memory and disk drives) are often directly related to the need to market products in configurations competitive with other manufacturers. Competition in the personal computer industry is intense, and in the short term, frequent changes in pricing and product configuration are often necessary in order to remain competitive. Accordingly, gross margin as a percentage of net sales can be significantly influenced in the short term by actions undertaken by the Company in response to industry-wide competitive pressures.

Gross margin increased both in amount and as a percentage of net sales during the third quarter and first nine months of 1995, respectively, over the comparable periods of 1994. The increase in gross margin as a percentage of net sales was primarily a result of a shift in product mix towards the Company's newer, high margin products within each product category which included strong sales of certain products within the Company's entry-level Macintosh Performa family and of products within its Power Macintosh family of personal computers.

The increase in gross margin levels was affected favorably by changes in foreign currency exchange rates as a result of a weaker U.S. dollar relative to certain foreign currencies during the first, second and third quarters of 1995 compared with the corresponding periods of 1994. The Company's operating strategy and pricing take into account changes in exchange rates over time; however, the Company's results of operations can be significantly affected in the short term by fluctuations in foreign currency exchange rates.

The Company's gross margin percentage improved from 26.2% in the second quarter of 1995 to 28.3% in the third quarter of 1995, resulting primarily from the introduction and sale of new products within the entry level and desktop product categories, including new Power Macintosh products, as well as from the impact of changes in currency exchange rates. However, it is anticipated that gross margins will remain under pressure and could fall below prior years' levels worldwide due to a variety of factors, including continued industry-wide pricing pressures, increased competition, and compressed product life cycles.

Research and Development	Third Quarter			Nine Months		
	1995	1994	Change	1995	1994	Change
Research and development	$168	$135	24.4%	$443	$422	5.0%
Percentage of net sales	6.5%	6.3%		5.5%	6.3%	

Research and development expenditures increased in amount in the third quarter and first nine months of 1995 when compared with the corresponding periods of 1994, due to higher project- and headcount-related spending as the Company continues to invest in the development of new products and technologies.

As a percentage of net sales, research and development expenditures remained relatively consistent in the third quarter of 1995 when compared with the corresponding period of 1994. Research and development expenditures in the first nine months of 1995 decreased as a percentage of net sales when compared with the corresponding period of 1994, primarily due to the increase in the level of net sales.

The Company anticipates that research and development expenditures will decrease as a percentage of net sales during the remaining quarter of 1995.

Selling, General and Administrative	Third Quarter 1995	1994	Change	Nine Months 1995	1994	Change
Selling, general and administrative	$404	$333	21.3%	$1,205	$1,038	16.1%
Percentage of net sales	15.7%	15.5%		15.0%	15.5%	

Selling, general and administrative expenses increased in amount in the third quarter and first nine months of 1995 when compared with the corresponding periods of 1994. This increase was primarily a result of increased advertising and channel marketing program spending as the Company continued its efforts to expand its market share. Although the Company has increased its selling and marketing expenses in an effort to expand its market share, there can be no assurance that such an increase in spending will result in a corresponding increase in market share. Despite this increase in expenditures, selling, general and administrative expenses remained relatively flat as a percentage of net sales in the third quarter and first nine months of 1995 when compared with the corresponding periods of 1994, primarily as a result of the increase in the level of net sales combined with the Company's ongoing efforts to manage total operating expense growth.

The Company will continue to face the challenge of managing selling, general and administrative expenses relative to gross margin levels, particularly in light of the Company's expectation of continued pressure on gross margins, and continued competitive pressures worldwide. The Company anticipates that selling, general and administrative expenses will increase in amount during the remaining quarter of 1995.

Restructuring costs	Third Quarter 1995	1994	Change	Nine Months 1995	1994	Change
Restructuring costs	$(6)	$(127)	-95.3%	$(23)	$(127)	-81.9%
Percentage of net sales	-0.2%	-5.9%		-0.3%	-1.9%	

For information regarding the Company's restructuring actions, refer to Note 2 of the Notes to Consolidated Financial Statements (Unaudited) in Part I, Item 1 of this Quarterly Report on Form 10-Q, which information is hereby incorporated by reference.

Interest and Other Income (Expense), Net	Third Quarter 1995	1994	Change	Nine Months 1995	1994	Change
Interest and other income (expense), net	$2	$(10)	120.0%	$(33)	$(17)	-94.1%

Interest and other income (expense), net, increased by approximately $12 million in income in the third quarter of 1995 compared with the corresponding period of 1994. Higher cash and short-term investment balances coupled with higher investment interest rates resulted in increased interest income of approximately $15 million. The increase in income was partially offset by increased interest expense due to higher borrowing rates and increased hedging costs as a result of increased volatility in the currency exchange markets as the value of the U.S. dollar declined relative to other foreign currencies.

Interest and other income (expense), net, increased by approximately $16 million in expense in the first nine months of 1995 when compared with the corresponding period of 1994. Net losses recorded for the mark-to-market valuation of outstanding currency forwards and sold currency options undertaken for currency risk management purposes and costs related to foreign exchange risk management activity during the second and third quarters of 1995 resulted in increased expenses of approximately $56 million when compared with the corresponding periods of 1994. This increase in expense was partially offset by an approximate $41 million increase in interest and other income, net, during the first nine months of 1995 when compared with the corresponding period of 1994, reflecting higher cash and short-term investment balances coupled with higher investment interest rates.

Notional principal amounts on certain of the Company's foreign exchange instruments increased significantly compared with the balances at September 30, 1994, in accordance with the Company's currency risk management strategies. Specifically, notional principal amounts on purchased and sold foreign exchange options not accounted for as hedges increased approximately $2.2 billion and $2.0 billion, respectively, compared with the balances at September 30. 1994. The notional principal amounts for off- balance-sheet instruments provide one measure of the transaction volume outstanding at a particular point in time, and do not necessarily represent the amount of the Company's exposure to credit or market risk.

Further information regarding the Company's foreign exchange hedging programs may be found in Part I, Item 2 of this Form 10-Q under the subheading "Global Market Risks" included under the heading "Factors that May Affect Future Results and Financial Condition."

Provision for Income Taxes	Third Quarter			Nine Months		
	1995	1994	Change	1995	1994	Change
Provision for income taxes	$61	$85	-28.2%	$215	$120	79.2%
Effective tax rate	37%	38%		37%	38%	

The information contained in Note 5 of the Notes to Consolidated Financial Statements (Unaudited) in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated by reference into this discussion.

Factors That May Affect Future Results and Financial Condition

The Company's future operating results and financial condition are dependent on the Company's ability to successfully develop, manufacture, and market technologically innovative products in order to meet dynamic customer demand patterns. Inherent in this process are a number of factors that the Company must successfully manage in order to achieve favorable future operating results and financial condition.

Product Introductions and Transitions

Due to the highly volatile nature of the personal computer industry, which is characterized by dynamic customer demand patterns and rapid technological advances, the Company frequently introduces new products and product enhancements. The success of new product introductions is dependent on a number of factors, including market acceptance, the Company's ability to manage the risks associated with product transitions, the availability of application software for new products, the effective management of inventory levels in line with anticipated product demand, and the manufacturing of products in appropriate quantities to meet anticipated demand. Accordingly, the Company cannot determine the ultimate effect that new products will have on its sales or results of operations.

In 1994, the Company introduced Power Macintosh, a new line of Macintosh computers based on a new PowerPC family of RISC microprocessors. The Company's results of operations and financial condition may be adversely affected if it is unable to successfully complete the transition of its lines of personal computers and servers from the Motorola 68000 series of microprocessors to the PowerPC(registered trademark) microprocessor. The success of this ongoing transition will depend on the Company's ability to continue to sell products based on the Motorola 68000 series of microprocessors while gaining market acceptance of the new PowerPC processor-based products, to successfully manage inventory levels of both product lines simultaneously, and to continue to coordinate the timely development and distribution by independent software vendors of new "native" software applications specifically designed for the PowerPC processor-based products.

The rate of product shipments immediately following introduction of a new product is not necessarily an indication of the future rate of shipments for that product, which depends on many factors, some of which are not under the control of the Company. These factors may include initial large purchases by a small segment of the user population that tends to purchase new technology prior to its acceptance by the majority of users ("early adopters"); purchases in satisfaction of pent-up demand by users who anticipated new technology and as a result deferred purchases of other products; and over-ordering by dealers who anticipate shortages due to the aforementioned factors. The preceding may also be offset by other factors, such as the deferral of purchases by many users until new

technology is accepted as "proven" and for which commonly used software products are available; and the reduction of orders by dealers once they believe they can obtain sufficient supply of product previously in backlog.

Backlog is often volatile after new product introductions due to the aforementioned demand factors, often increasing sharply coincident with introduction, and then reducing sharply once dealers and customers believe they can obtain sufficient supply of product.

The measurement of demand for newly introduced products is further complicated by the availability of different product configurations, which may include various types of built-in peripherals and software. Configurations may also require certain localization (such as language) for various markets and, as a result, demand in different geographic areas may be a function of the availability of third-party software in those localized versions. For example, the availability of European-language versions of software products manufactured by U.S. producers may lag behind the availability of U.S. versions by a quarter or more. This may result in lower initial demand for the Company's new products outside the United States, even though localized versions of the Company's products may be available.

Competition

The personal computer industry is highly competitive and continues to be characterized by consolidations in the hardware and software industries, aggressive pricing practices, and downward pressure on gross margins. The Company's results of operations and financial condition could be adversely affected should the Company be unable to effectively manage the impact of industry-wide pricing pressures.

The Company's future operating results and financial condition may also be affected by the Company's ability to offer customers competitive technologies while effectively managing the impact on inventory levels and the potential for customer confusion created by product proliferation.

On November 7, 1994, the Company reached an agreement with International Business Machines Corporation (IBM) and Motorola, Inc. on a new hardware reference platform for the PowerPC microprocessor that is intended to deliver a much wider range of operating system and application choices for computer customers. As a result of this agreement, the Company intends to make the Macintosh operating system available on the common platform. Accordingly, the Company's future operating results and financial condition may be affected by its ability to implement this agreement and certain other collaboration agreements, and to manage the associated competitive risk.

The Company is currently the primary maker of hardware that uses the Macintosh operating system, and it has a minority market share in the personal computer market, which is dominated by makers of computers that run the MS-DOS(registered trademark) and Microsoft Windows (trademark) operating systems. Future operating results and financial condition may be affected by the Company's ability to increase market share in its personal computer business. As part of its efforts to increase overall market share, the Company announced the licensing of the Macintosh operating system to other personal computer vendors in January 1995, and several vendors are currently selling product which utilizes the Macintosh operating system. The Company's efforts to increase its overall market share through licensing of the Macintosh operating system will depend in part on the success of the Company's ability to manage the risks associated with competing companies producing Macintosh OS-based computer systems. Accordingly, the Company cannot determine the ultimate effect that licensing of the Macintosh operating system will have on its product sales or future operating results and financial condition. The Company believes that licensing the operating system will result in a broader installed base on which software vendors can develop and provide technical innovations for the Macintosh platform. However, there can be no assurance that the installed base will be broadened by the licensing of the operating system or result in an increase in the number of application software titles or the rate at which vendors will bring to market application software based on the Macintosh operating system.

The Company's principal competitor in producing operating system software, Microsoft Corporation, is a large, well-financed corporation which has a dominant position in various segments of the personal computer software industry. Microsoft Corporation is expected to release Windows 95, another of its operating system offerings, in the next several weeks. The Company believes that this event will likely create competitive pressure on the Company and will further challenge the Company's efforts in developing and marketing the Company's products. Accordingly, the Company's future operating results and financial condition could be adversely affected by the release of Windows 95.

Certain of the Company's personal computer products are capable of running application software designed for the MS-DOS or

Windows operating systems, through software emulation of Intel Corporation microprocessor chips by use of software specifically designed for the Company's products, either those based on the Motorola 68000 series of microprocessors or those based on the PowerPC microprocessor. The Company has also introduced products which include both the RISC-based PowerPC 601 microprocessor and the 486 DX2/66 microprocessor which enable users to switch between Macintosh and DOS computing environments.

Decisions by customers to purchase the Company's personal computers, as opposed to MS-DOS or Windows-based systems, are often based on the availability of third-party software for particular applications. The Company believes that the availability of third-party application software for the Company's hardware products depends in part on the third-party developers' perception and analysis of the relative benefits of developing such software for the Company's products versus software for the larger MS- DOS and Windows market. This analysis is based on factors such as the relative market share of the Company's products, the anticipated potential revenue that may be earned, and the costs of developing such software products. Microsoft Corporation is an important developer of application software for the Company's products. Accordingly, Microsoft's interest in producing application software for the Company's products may be influenced by Microsoft's perception of its interests as an operating system vendor.

The Company's ability to produce and market competitive products is also dependent on the ability of IBM and Motorola, Inc., the suppliers of the new PowerPC RISC microprocessor for certain of the Company's products, to continue to supply to the Company microprocessors which produce superior price/performance results compared with those supplied to the Company's competitors by Intel Corporation, the developer and producer of the microprocessors used by most personal computers using the MS-DOS and Windows operating systems. IBM produces personal computers based on the Intel microprocessors as well as on the PowerPC microprocessor, and is also the developer of OS/2, a competing operating system to the Company's Macintosh operating system. Accordingly, IBM's interest in supplying the Company with improved versions of microprocessors for the Company's products may be influenced by IBM's perception of its interests as a competing manufacturer of personal computers and as a competing operating system vendor.

The Company's future operating results and financial condition may also be affected by the Company's ability to successfully expand its new businesses and product offerings into other markets, such as the markets for on-line services and personal digital assistant (PDA) products.

Global Market Risks

A large portion of the Company's revenue is derived from its international operations. As a result, the Company's operations and financial results could be significantly affected by international factors, such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which the Company distributes its products. When the U.S. dollar strengthens against other currencies, the U.S. dollar value of non-U.S. dollar-based sales decreases. When the U.S. dollar weakens, the U.S. dollar value of non-U.S. dollar-based sales increases. Correspondingly, the U.S. dollar value of non-U.S. dollar-based costs increases when the U.S. dollar weakens and decreases when the U.S. dollar strengthens. Overall, the Company is a net receiver of currencies other than the U.S. dollar and, as such, benefits from a weaker dollar and is adversely affected by a stronger dollar relative to major currencies worldwide. Accordingly, changes in exchange rates may negatively affect the Company's consolidated sales and gross margins (as expressed in U.S. dollars).

To mitigate the short-term impact of fluctuating currency exchange rates on the Company's non-U.S. dollar-based sales, product procurement, and operating expenses, the Company regularly hedges its non-U.S. dollar-based exposures. Specifically, the Company enters into foreign exchange forward and option contracts to hedge firmly committed transactions. Currently, hedges of firmly committed transactions do not extend beyond one year. The Company also purchases foreign exchange option contracts to hedge certain other probable, but not firmly committed transactions. Hedges of probable, but not firmly committed transactions do not extend beyond one year. To reduce the costs associated with these ongoing foreign exchange hedging programs, the Company also regularly sells foreign exchange option contracts and enters into certain other foreign exchange transactions. All foreign exchange forward and option contracts not accounted for as hedges, including all transactions intended to reduce the costs associated with the Company's foreign exchange hedging programs, are carried at fair value and are adjusted on each balance sheet date for changes in exchange rates.

While the Company is exposed with respect to fluctuations in the interest rates of many of the world's leading industrialized countries, the Company's interest income and expense is most sensitive to fluctuations in the general level of U.S. interest rates. In this regard,

changes in U.S. interest rates affect the interest earned on the Company's cash, cash equivalents, and short-term investments as well as interest paid on its short-term borrowings and long-term debt. To mitigate the impact of fluctuations in U.S. interest rates, the Company has entered into interest rate swap and option transactions. Certain of these swaps are intended to better match the Company's floating-rate interest income on its cash, cash equivalents, and short-term investments with the fixed-rate interest expense on its long-term debt. The Company also enters into interest rate swap, swaption, and option transactions in order to extend the effective duration of a portion of its cash, cash equivalent, and short-term investment portfolios. These swaps may extend the Company's cash investment horizon up to a maximum effective duration of three years.

To ensure the adequacy and effectiveness of the Company's foreign exchange and interest rate hedge positions, as well as to monitor the risks and opportunities of the non hedge portfolios, the Company continually monitors its foreign exchange forward and option positions, and its interest rate swap, swaption, and option positions on a stand-alone basis and in conjunction with its underlying foreign currency- and interest rate-related exposures, respectively, from both an accounting and an economic perspective. However, given the effective horizons of the Company's risk management activities, there can be no assurance that the aforementioned programs will offset more than a portion of the adverse financial impact resulting from unfavorable movements in either foreign exchange or interest rates. In addition, the timing of the accounting for recognition of gains and losses related to mark-to-market instruments for any given period may not coincide with the timing of gains and losses related to the underlying economic exposures, and as such, may adversely affect the Company's operating results and financial position.

Inventory and Supply

The Company's ability to satisfy demand for its products may be limited by the availability of key components. The Company believes that the availability from suppliers to the personal computer industry of microprocessors, application specific integrated circuits (ASIC's) and dynamic random access memory (DRAM) present the most significant potential for constraining the Company's ability to produce product. Specific microprocessors manufactured by Motorola, Inc., and IBM are currently available only from single sources, while some advanced microprocessors are currently in the early stages of ramp-up for production and thus have limited availability. The current market for DRAM is very constrained, and competition for DRAM among producers of personal computers is intense, based in part on the increased requirements for DRAM made by newer operating systems such as Windows 95. The Company and other producers in the personal computer industry also compete for other semiconductor products with other industries that have experienced increased demand for such products due to either increased consumer demand or increased use of semiconductors in their products (such as the cellular phone and automotive industries.) Finally, the Company uses some components that are not common to the rest of the personal computer industry (including certain ASICs). Continued availability of these components may be affected if producers were to decide to concentrate on the production of common components instead of custom components. The Company's future operating results and financial condition could be adversely affected by such product constraints and increased costs, including loss of market share.

The Company's future operating results and financial condition may also be adversely affected by the Company's ability to manage inventory levels and lead times required to obtain components in order to be more responsive to short-term shifts in customer demand patterns. In addition, if anticipated unit sales growth for new and current product offerings is not realized, inventory valuation reserves may be necessary that would adversely affect the Company's results of operations and financial condition.

Marketing and Distribution

A number of uncertainties exist regarding the marketing and distribution of the Company's products. Currently, the Company's primary means of distribution is through third-party computer resellers. However, the Company is continuing its expansion into various consumer channels, such as mass-merchandise stores consumer electronics outlets, and computer superstores. The Company's business and financial results could be adversely affected if the financial condition of these sellers weakens or if sellers within consumer channels decide not to continue to distribute the Company's products.

Other Factors

The majority of the Company's research and development activities, its corporate headquarters, and other critical business operations are located near major seismic faults. The Company's operating results and financial condition could be materially adversely affected in the event of a major earthquake.

The Company plans to replace its current transaction systems (which include order management, distribution, manufacturing, and

finance) with a single integrated system as part of its ongoing effort to increase operational efficiency. The Company's future operating results and financial condition could be adversely affected by its ability to implement and effectively manage the transition to this new integrated system.

In April 1995, the Company announced a company-wide reorganization designed to more closely align the Company's organizational structure with the Company's business strategy of placing increased focus on customer needs and expanding its presence in the home, education, and business markets. The Company's future operating results and financial condition could be adversely affected by its ability to effectively manage the transition to this new organizational structure.

Because of the foregoing factors, as well as other factors affecting the Company's operating results and financial condition, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. In addition, the Company's participation in a highly dynamic industry often results in significant volatility of the Company's common stock price.

Liquidity and Capital Resources

	Nine Months 1995
Cash, cash equivalents and short-term investments, net of short-term borrowings	$1,270
Cash generated by operations	$433
Cash used for investment activities, excluding short-term investments	$133
Cash generated by financing activities	$118

The Company's financial position with respect to cash, cash equivalents and short-term investments, net of short-term borrowings increased to $1,270 million at June 30, 1995 from $966 million at September 30, 1994. This increase was primarily attributable to the Company's continued efforts to increase profit levels and to manage working capital, particularly in the areas of inventory, accounts payable and accounts receivable.

Cash generated by operations during the first nine months of 1995 totaled $433 million. Cash was generated primarily by higher sales levels related to a shift in product mix towards higher-margin products which typically have higher average selling prices.

Net cash used for the purchase of property, plant and equipment totaled approximately $110 million during the first nine months of 1995. These purchases primarily included manufacturing machinery and equipment. The Company anticipates that capital expenditures in 1995 will be relatively consistent with 1994 expenditures of $160 million.

Short-term borrowings at June 30, 1995 were approximately $114 million higher than at September 30, 1994. These borrowings were primarily made to fund expected working capital growth in certain markets worldwide. In general, the Company's short-term borrowings typically reflect borrowings made under its commercial paper program and short-term uncommitted bid-line arrangements with certain commercial banks. In particular, Apple Japan, Inc., and Apple Computer BV, (Netherlands) wholly owned subsidiaries of the Company, incurred short-term borrowings from several banks, totaling approximately $233 million and $173 million, respectively, at June 30, 1995.

Long-term borrowings of $303 million at June 30, 1995 remained consistent with the balance at September 30, 1994. Substantially the entire amount of long-term borrowings represents $300 million aggregate principal amount of 6.5% unsecured notes issued under an omnibus shelf registration statement filed with the Securities and Exchange Commission in 1994. This shelf registration covers the registration of debt and other securities for an aggregate offering price of up to $500 million. The notes were sold at 99.925% of par, for an effective yield to maturity of 6.51%. The notes pay interest semi-annually and mature on February 15, 2004.

The Company expects that it will continue to incur short- and long-term borrowings from time to time generally to finance U.S. working capital needs and capital expenditures, because a substantial portion of the Company's cash, cash equivalents, and short-term

investments is held by foreign subsidiaries, generally in U.S. dollar-denominated holdings. Amounts held by foreign subsidiaries would be subject to U.S. income taxation upon repatriation to the United States; the Company's financial statements fully provide for any related tax liability on amounts that it reasonably expects may be repatriated.

The Internal Revenue Service (IRS) has proposed federal income tax deficiencies for the years 1984 through 1991, and the Company has made certain prepayments thereon. The Company contested the proposed deficiencies for the years 1984 through 1988, and most of the issues in dispute for these years have been resolved. On June 29, 1995, the IRS issued a notice of deficiency proposing increases to the amount of the Company's federal income taxes for the years 1989 through 1991. The Company intends to file a petition with the United States Tax Court to contest these alleged tax deficiencies. Management believes that adequate provision has been made for any adjustments that may result from these tax examinations.

The Company believes that its balances of cash, cash equivalents, and short- term investments, together with funds generated from operations and short- and long-term borrowing capabilities, will be sufficient to meet its operating cash requirements on a short- and long-term basis.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to page 39 of the Company's 1994 Annual Report on Form 10- K under the subheading "Litigation" for a discussion of certain litigation involving Microsoft Corporation and Hewlett-Packard Company.

In the case of Apple Computer, Inc. v. Microsoft Corporation and Hewlett- Packard Company, the Company's petition for a writ of certiorari was denied by the Supreme Court of the United States on February 21, 1995. Accordingly, the decision of the appellate court affirming the dismissal of the Company's copyright infringement case against Microsoft Corporation ("Microsoft") and Hewlett-Packard Company ("HP") is now final. HP's request for attorneys' fees has been settled by agreement between the Company and HP. Microsoft's request for attorneys' fees remains pending.

The Company believes the resolution of the above matter will not have a material adverse effect on its financial condition and results of operations as reported in the accompanying financial statements. However, depending on the amount and timing of an unfavorable resolution of the matter, it is possible that the Company's future results of operations or cash flows could be materially affected in a particular period.

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

Exhibit Number	Description
10.A.19-1	Supplement to the Executive Severance Plan effective as of June 9, 1995
10.A.21	Form of Senior Executive Retention Agreement dated June 9, 1995
10.A.22	Retention Agreement dated June 9, 1995 between the Registrant and Michael H. Spindler
11	Computation of per share earnings
27	Financial Data Schedule

b) Reports on Form 8-K

None.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

APPLE COMPUTER, INC.
(Registrant)

DATE: August 10, 1995 *BY /s/ Joseph A. Graziano*

Joseph A. Graziano
Executive Vice President and
Chief Financial Officer

APPLE COMPUTER, INC.

INDEX TO EXHIBITS

Exhibit Index	Description	Page Number
10.A.19-1	Supplement to the Executive Severance Plan effective as of June 9, 1995	19
10.A.21	Form of Senior Executive Retention Agreement dated June 9, 1995	25
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11	Computation of per Share Earnings	45
27	Financial Data Schedule	46

EXHIBIT 10.A.19-1

SUPPLEMENT TO THE

APPLE COMPUTER, INC. EXECUTIVE SEVERANCE PLAN

(Effective June 9, 1995)

SECTION 1. ESTABLISHMENT AND PURPOSE.

This Supplement (the "Supplement") to the Apple Computer, Inc. Executive Severance Plan (the "Plan") is hereby established effective as of the date it is approved by the Board of Directors of Apple (the "Board"). The purpose of this Supplement is to set forth the terms and provisions of the Plan that will apply in the event of a Change in Control of Apple. Capitalized words not otherwise defined herein shall have the meanings assigned to such words in the Plan.

SECTION 2. ADDITIONAL BENEFITS.

(a) Each Eligible Employee (i) whose employment with the Company is involuntary terminated by the Company for any reason during the Supplement Term, other than due to such Employee's misuse of confidential or proprietary information or a violation of the standards described in Apple's Global Ethics brochure or any other Apple policy or guideline or (ii) who resigns during the Supplement Term for Good Reason shall automatically become a Participant, whether or not such person is designated as a Participant in accordance with Section 3.1 of the Plan (hereinafter, a "Section 2(a) Participant"); provided, however, that no Eligible Employee described in Section 3.3(c), (d), (e) or (f), or an Eligible Employee described in Section 3.3(b) who resigns other than for Good Reason, shall become a Section 2(a) Participant. In addition, during the Supplement Term, the definition of "Eligible Employee" in the Plan is revised to exclude reference to "any other plan, program or practice by which Apple provides any separation allowance" which is established on or after the Change in Control Date or which is implemented at any time with the intention, express or implied, of eliminating Apple's obligations under the Plan or this Supplement. Employees of the Company who are otherwise Eligible Employees and who are parties to a Retention Agreement shall continue to be eligible to be designated as Participants in the Plan if their employment terminates prior to the Change in Control Date or after the expiration of the term of their Retention Agreement.

(b) Section 4.1(e) of the Plan is revised to prohibit the Company from ending the Termination Notice Period for any such Termination Notice Period that begins within the Supplement Term for any reason other than the Section 2(a) Participant's misuse of confidential or proprietary information or a violation of the standards described in Apple's Global Ethics brochure or any other Apple policy or guideline.

(c) Section 4.3 of the Plan is revised to substitute "30 additional calendar days" for "14 additional calendar days" for any Termination Notice Period that begins during the Supplemental Term.

(d) Section 4.5 of the Plan is revised to require the Company to provide job placement assistance or counseling to each Section 2(a) Participant who requests such assistance; provided, however, that the individual Participant cost to Apple of providing such benefits to a Section 2(a) Participant need not exceed $7,500.

(e) Section 7.1 of the Plan is revised for each Section 2(a) Participant as follows:

Years of Service*	Months of Pay
3 or less	8
4	10
5	12
6	14
7	16
8	18
9	20
10	22
11 or more	24 (maximum)

*Years of Service will be determined as of the Participant's actual termination date.

(f) Section 7.2 of the Plan is revised for each Section 2(a) Participant as follows: In lieu of the Prorated Bonus, each Section 2(a) Participant shall receive a special severance bonus (the "Severance Bonus") equal to the greater of (i) the target annual bonus amount payable to the Section 2(a) Participant for the fiscal year in which the Notification Date occurs and (ii) the target annual bonus amount payable to the Section 2(a) Participant for the last fiscal year ended prior to the Change in Control Date, in either case, calculated on the assumption that all applicable

performance targets had been achieved. The Severance Bonus shall not be subject to any proration and shall otherwise be payable at such time and manner as the Prorated Bonus.

(g) Section 7.3 of the Plan is revised for each Section 2(a) Participant as follows:

Participant's Grade Level at Close of Termination Notice Period	Period of Extended Coverage from Close of Termination Notice Period
97-100	24 months
94-96	18 months

(h) The additional payments and benefits provided by this Section 2 of the Supplement are subject to the condition that the Section 2(a) Participant execute a release in the form and manner contemplated by Section 5.2 of the Plan.

SECTION 3. GROSS-UP PAYMENT.

A new Section 7.8 is added to the Plan as follows:

7.8 Gross-Up Payment.

(a) Right to Payment. Notwithstanding anything in the Plan or the Supplement to the contrary, if it is determined that any Payment to an Eligible Employee (whether or not such employee qualifies for benefits under the Plan or the Supplement and whether or not such employee is a Section 2(a) Participant at the time of determination) would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any interest or penalties thereon, is herein referred to as an "Excise Tax"), then such Eligible Employee shall be entitled to an additional payment (a "Gross-Up Payment") in an amount that will place such Eligible Employee in the same after-tax economic position that such employee would have enjoyed if the Excise Tax had not applied to the Payment. The amount of the Gross-Up Payment shall be determined by the Accounting Firm in accordance with the formula {(E x (1 - M)/(1 - T)) - E} (or such other formula as the Accounting Firm deems appropriate which is intended to achieve the same result), where

E equals the Payments which are determined to be "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code;

M equals the sum of the highest marginal rates1 for Taxes applicable to the Eligible Employee at the time of the Payment; and

T equals M plus the rate of Excise Tax applicable to the Payment.

No Gross-Up Payments shall be payable to an Eligible Employee hereunder if the Accounting Firm determines that the Payments to such Eligible Employee are not subject to an Excise Tax.

(b) Determination of Gross-Up Payment. Subject to the provisions of Section 7.8(c), all determinations required under this Section 7.8, including whether a Gross-Up Payment is required, the amount of the Payments constituting excess parachute payments, and the amount of the Gross-Up Payment, shall be made by the Accounting Firm, which shall provide detailed supporting calculations both to the Eligible Employee and the Company within fifteen days of the Change in Control Date, the date of the Eligible Employee's termination of employment with the Company and its subsidiaries or any other date reasonably requested by the Eligible Employee or the Company on which a determination under this Section 3 is necessary or advisable. The Company shall pay each Eligible Employee the initial Gross-Up Payment within 5 days of the receipt by the Company of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable to an Eligible Employee (or class of Eligible Employees), the Company shall cause the Accounting Firm to provide such Eligible Employee (or each member of the class of Eligible Employees) with an opinion that the Accounting Firm has substantial authority under the Code and Regulations not to report

1To be expressed in up to three decimal places. For example, a combined federal, state and local marginal rate of 56% would be expressed as .560.

an Excise Tax on the Eligible Employee's federal income tax return. Any determination by the Accounting Firm shall be binding upon the Eligible Employee and the Company. If the initial Gross-Up Payment is insufficient to cover the amount of the Excise Tax that is ultimately determined to be owing by the Eligible Employee with respect to any Payment (hereinafter an "Underpayment"), the Company, after exhausting its remedies under Section 7.8(c) below, shall promptly pay to the Eligible Employee an additional Gross- Up Payment in respect of the Underpayment.

(c) Procedures. As a condition to Apple's obligations hereunder to an Eligible Employee, each Eligible Employee shall be required to notify Apple in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by Apple of a Gross-Up Payment by such Eligible Employee. Such notice shall be given as soon as practicable after the Eligible Employee knows of such claim and shall apprise Apple of the nature of the claim and the date on which the claim is requested to be paid. An Eligible Employee shall agree not to pay the claim until the expiration of the thirty-day period following the date on which the Eligible Employee notifies Apple, or such shorter period ending on the date the Taxes with respect to such claim are due (the "Notice Period"). If Apple notifies the Eligible Employee in writing prior to the expiration of the Notice Period that it desires to contest the claim, the Eligible Employee shall: (i) give Apple any information reasonably requested by Apple relating to the claim; (ii) take such action in connection with the claim as Apple may reasonably request, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by Apple and reasonably acceptable to the Eligible Employee; (iii) cooperate with Apple in good faith in contesting the claim; and (iv) permit Apple to participate in any proceedings relating to the claim. An Eligible Employee shall permit Apple to control all proceedings related to the claim and, at its option, permit Apple to pursue or forgo any and all administrative appeals, proceedings, hearings, and conferences with the taxing authority in respect of such claim. If requested by Apple, an Eligible Employee shall agree either to pay the tax claimed and sue for a refund or contest the claim in any permissible manner and to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts as Apple shall determine; provided, however, that, if Apple directs such Eligible Employee to pay such claim and pursue a refund, Apple shall advance the amount of such payment to the Eligible Employee on an after-tax and interest-free basis (the "Advance"). Apple's control of the contest related to the claim shall be limited to the issues related to the Gross-Up Payment and the Eligible Employee shall be entitled to settle or contest, as the case may be, any other issues raised by the Internal Revenue Service or other taxing authority. If Apple does not notify the Eligible Employee in writing prior to the end of the Notice Period of its desire to contest the claim, Apple shall pay to the Eligible Employee an additional Gross-Up Payment in respect of the excess parachute payments that are the subject of the claim, and the Eligible Employee shall be required to pay the amount of the Excise Tax that is the subject of the claim to the applicable taxing authority in accordance with applicable law.

(d) Repayments. If, after receipt by an Eligible Employee of an Advance, the Eligible Employee becomes entitled to a refund with respect to the claim to which such Advance relates, the Eligible Employee shall pay Apple the amount of the refund (together with any interest paid or credited thereon after Taxes applicable thereto). If, after receipt by Eligible Employee of an Advance, a determination is made that the Eligible Employee shall not be entitled to any refund with respect to the claim and Apple does not promptly notify the Eligible Employee of its intent to contest the denial of refund, then the amount of the Advance shall not be required to be repaid by Eligible Employee and the amount thereof shall offset the amount of the additional Gross-Up Payment then owing to the Eligible Employee.

(e) Further Assurances. Apple shall indemnify each Eligible Employee and hold each Eligible Employee harmless, on an after-tax basis, from any costs, expenses, penalties, fines, interest or other liabilities ("Losses") incurred by the Eligible Employee with respect to the exercise by Apple of any of its rights under this Section 7.8, including, without limitation, any Losses related to Apple's decision to contest a claim or any imputed income to the Eligible Employee resulting from any Advance or action taken on Eligible Employee on behalf by Apple hereunder. Apple shall pay all legal fees and expenses incurred under this Section 7.8, and shall promptly reimburse each Eligible Employee for the reasonable expenses incurred by the Eligible Employee in connection with any actions taken by Apple or required to be taken by the Eligible Employee hereunder. Apple shall also pay all of the fees and expenses of the Accounting Firm, including, without limitation, the fees and expenses related to the opinion referred to in Section 7.8(b).

(f) Combined Payments. Anything in this Section 7.8 to the contrary notwithstanding, Apple shall have no obligation to pay an Eligible Employee a required Gross-Up Payment under this Section 7.8 if the aggregate amount of all Combined Payments has at the time such payment is due exceeded the Limit. If the amount of a Gross-Up Payment to an Eligible Employee under this Section 7.8 would result in the Combined Payments exceeding the Limit, Apple shall pay the Eligible Employee the portion, if any, of the Gross-Up Payment which can be paid to such employee without causing the aggregate amount of all Combined Payments to exceed the Limit. In the event that an Eligible Employee is entitled to a Gross-Up Payment under this Section 7.8 and other employees or former employees of the Company are also entitled to gross- up payments under this Section 7.8 or under the corresponding provisions of any other applicable Combined Arrangement and the aggregate amount of all such payments would cause the Limit on Combined Payments to be exceeded, Apple shall allocate the amount of the reduction necessary to comply with the Limit among all such payments in the proportion that the amount of each such gross- up payment bears to the aggregate amount of all such payments. Nothing in this Section 7.8(f) shall require any Eligible Employee to repay to Apple any amount that was previously paid to such employee under this Section 7.8.

SECTION 4. AMENDMENT AND ASSUMPTION.

(a) Section 12.1 of the Plan is revised as follows: The Plan and this Supplement may not be amended or terminated by Apple on and after the occurrence of the Change in Control Date in any way that would reduce or eliminate the payments and benefits owing under the Plan and this Supplement to any Section 2(a) Participant. In addition, no amendment or termination which would be precluded under the previous sentence if made on or after the Change in Control Date shall be effective if made or first effective within the twelve month period ending on the Change in Control Date.

(b) Apple will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of Apple expressly to assume and to agree to perform this Agreement in the same manner and to the same extent that Apple would be required to perform it if no such succession had taken place; provided, however, that no such assumption shall relieve Apple of its obligations hereunder.

SECTION 5. DEFINITIONS.

For purposes of the Plan and this Supplement, the following capitalized words shall have the meanings set forth below:

"Accounting Firm" shall mean [NAME] or, if such firm is unable or unwilling to perform such calculations, such other national accounting firm as shall be designated by Apple in accordance with the terms of the Retention Agreements.

"Change in Control" shall mean a change in control of Apple of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act, whether or not Apple is then subject to such reporting requirement; provided, however, that, anything in the Plan or this Supplement to the contrary notwithstanding, a Change in Control shall be deemed to have occurred if:

(i) any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity or person, or any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act, is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of Apple representing 30% or more of the combined voting power of Apple's then outstanding securities entitled to vote in the election of directors of Apple;

(ii) during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constituted the Board and any new directors, whose election by the Board or nomination for election by Apple's stockholders was approved by a vote of at least three-fourths (3/4ths) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (the "Incumbent Directors"), cease for any reason to constitute a majority thereof;

(iii) There occurs a reorganization, merger, consolidation or other corporate transaction involving the Company (a "Transaction"), in each case, with respect to which the stockholders of the Company immediately prior to such Transaction do not, immediately after the Transaction, own more than 50 percent of the combined voting power of the Company or other corporation resulting from such Transaction;

(iv) all or substantially all of the assets of Apple are sold, liquidated or distributed; or

(v) there is a "change in control" of Apple within the meaning of
Section 280G of the Code and the Regulations.

"Change in Control Date" shall mean the earliest of (i) the date on which the Change in Control occurs, (ii) the date on which Apple executes an agreement, the consummation of which would result in the occurrence of a Change in Control, (iii) the date the Board approves a transaction or series of transactions, the consummation of which would result in a Change in Control and (iv) the date Apple fails to satisfy its obligations to have the Plan and this Supplement assumed by any successor to Apple in accordance with Section 4(b) of this Supplement. If the Change in Control Date occurs as a result of an agreement described in clause (ii) of the previous sentence or as a result of the approval of the Board described in clause (iii) of the previous sentence and the Change in Control to which such agreement or approval relates (the "Contemplated Change in Control") subsequently does not occur, then the Supplement Term shall expire on the sixtieth day (the "Reset Date") following the date the Board certifies by resolution duly adopted by three-fourths (3/4ths) of the Incumbent Directors then in office that the Contemplated Change in Control is not reasonably likely to occur; provided, however, that this sentence shall not apply (A) to any Section 2(a) Participant whose termination of employment with Apple has occurred on and after the Change in Control Date and on or prior to the Reset Date or (B) if the

Contemplated Change in Control subsequently occurs within three months of the Reset Date. Following the Reset Date, the provisions of the Plan and this Supplement shall remain in effect and a new Supplement Term shall commence upon the occurrence of a subsequent Change in Control Date. Notwithstanding the first sentence of this section, if an individual's employment with the Company terminates prior to the Change in Control Date and it is reasonably demonstrated that such termination of employment (i) was at the request of the third party who has taken steps reasonably calculated to effect the Change in Control or (ii) otherwise arose in connection with or in anticipation of the Change in Control, then, solely with respect to the affected Participant, the Change in Control Date shall mean the date immediately prior to the date of such Participant's termination of employment.

"Combined Arrangements" shall mean this Supplement to the Plan (as the same may be amended from time to time) and the Retention Agreements.

"Combined Payments" shall mean the aggregate cash amount of (i) severance payments made to employees or former employees under Section 3(a) of the Retention Agreements or the corresponding provisions of the applicable Combined Arrangement, (ii) severance payments made to Section 2(a) Participants under Sections 2(e) and 2(f) of the Supplement or to any other employee or former employee under the corresponding provisions of the applicable Combined Arrangement, (iii) Gross-up Payments made to an Eligible Employee under Section 3 of the Supplement or to any other employee or former employee under the corresponding provisions of the applicable Combined Arrangement, (iv) fees and expenses which are paid or reimbursed to employees or former employees under Section 6 of the Retention Agreements or to any other employee or former employee under the corresponding provisions of the applicable Combined Arrangement, (v) payments made to employees or former employees under Section 5 of the Retention Agreements or to any other employee or former employee under the corresponding provisions of the applicable Combined Arrangement and (vi) costs incurred by Apple in respect of a Section 2(a) Participant under Section 2(d) of the Supplement or to any other employee or former employee under the corresponding provisions of the applicable Combined Arrangement.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and any successor provisions thereto.

"Common Stock" shall mean the common stock of Apple.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and any successor provisions thereto.

"Good Reason" shall mean:

(i) The relocation of the office of the Company where an Eligible Employee is employed immediately prior to the Change in Control Date (the "CIC Location") to a location which is more than fifty (50) miles away from the CIC Location or the Company's requiring an Eligible Employee to be based more than fifty (50) miles away from the CIC Location (except for required travel on the Company's business to an extent substantially consistent with your customary business travel obligations in the ordinary course of business prior to the Change in Control Date); or

(ii) The Company's assignment of an Eligible Employee to a job with significantly reduced duties and responsibilities and which involves either (A) a reduction in the Eligible Employee's base salary or target bonus opportunity or (B) a drop of two grade designations or more; provided, however, that clause (B) shall not apply if the reduction in employee's grade designation causes such employee to cease to qualify as an Eligible Employee for purposes of the Plan and this Supplement;

provided, however, that an event described above shall not constitute Good Reason unless it is communicated by the Eligible Employee to the Company in writing and is not corrected by the Company in a manner which is reasonably satisfactory to the Eligible Employee (including full retroactive correction with respect to any monetary matter) within 10 days of the Company's receipt of such written notice.

"Limit" shall mean the dollar amount determined in accordance with the formula [A x B x C], where

A equals 0.02;

B equals the number of issued and outstanding shares of Common Stock of Apple immediately prior to the Change in Control Date; and

C equals the greater of (i) (A) if the Common Stock is listed on any established stock exchange or national market system (including, without limitation, the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") System, the highest closing sale price (or closing bid price, if no sales are reported) of a share of Common Stock, or (B) if the Common Stock is

regularly quoted on the NASDAQ System (but not on a national market system) or quoted by a recognized securities dealer but selling prices are not reported, the highest mean between the high and low asked prices for the Common Stock, in each case, on any day during the ninety-day period ending on the Change in Control Date, and (ii) the highest price paid or offered, as determined by the Accounting Firm, in any bona fide transaction or bona fide offer related to the Change in Control.

"Notification Date" shall mean, during the Supplement Term, the date an Eligible Employee is notified of his or her termination of employment or the end of the date on which the cure period referred to in the definition of Good Reason expires without the Company effecting the cure contemplated by such definition.

"Payment" means (i) any amount due or paid to an Eligible Employee under the Plan or this Supplement, (ii) any amount that is due or paid to an Eligible Employee under any plan, program or arrangement of the Company, and
(iii) any amount or benefit that is due or payable to an Eligible Employee under the Plan or this Supplement or under any plan, program or arrangement of the Company not otherwise covered under clause (i) or (ii) hereof which must reasonably be taken into account under Section 280G of the Code and the Regulations in determining the amount of the "parachute payments" received by the Eligible Employee, including, without limitation, any amounts which must be taken into account under the Code and Regulations as a result of (A) the acceleration of the vesting of any option, restricted stock or other equity award granted under Apple's equity-based incentive plans or otherwise, (B) the acceleration of the time at which any payment or benefit is receivable by an Eligible Employee or (C) any contingent severance or other amounts that are payable to an Eligible Employee.

"Regulations" shall mean the proposed, temporary and final regulations under Section 280G of the Code or any successor provision thereto.

"Retention Agreements" means the Retention Agreements, dated as of the date of this Supplement, to which Apple is a party and any Retention Agreement entered into after the date hereof which is specifically designated in the terms thereof as one of the Combined Arrangements.

"Supplement Term" shall mean the period commencing on the Change in Control Date and ending on the second anniversary thereof.

"Transaction Date" shall mean the date described in clause (i) of the definition of Change in Control Date.

APPLE COMPUTER, INC.

By
Kevin J. Sullivan
Senior Vice President,
Human Resources

EXHIBIT 10.A.21

DATA List of Officers

June 9, 1995
Mr. "Name"
1 Infinite Loop
Cupertino, California 95014

Retention Agreement

Dear "First name":

Apple Computer, Inc., a California corporation (the "Company"), considers it essential to the best interests of its stockholders to take reasonable steps to retain key management personnel. Further, the Board of Directors of the Company (the "Board") recognizes that the uncertainty and questions which might arise among management in the context of a change in control of the Company could result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

The Board has determined, therefore, that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the management of the Company and its subsidiaries, including yourself, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from any possible change in control of the Company.

In order to induce you to remain in the employ of the Company, the Company has determined to enter into this letter agreement (this "Agreement") which addresses the terms and conditions of your employment in the event of a change in control of the Company. Capitalized words which are not otherwise defined herein shall have the meanings assigned to such words in Section 8 of this Agreement.

1. Term of Employment Under the Agreement. The term of your employment under this Agreement shall commence on the Change in Control Date and shall continue until the second anniversary of the Change in Control Date (the "Term").

2. Employment During the Term. During the Term, the following terms and conditions shall apply to your employment with the Company:

(a) Titles; Reporting and Duties. Your position, titles, nature and status of responsibilities and reporting obligations shall be no less favorable to you than those that you enjoyed immediately prior to the Change in Control Date.

(b) Salary and Bonus. Your base salary and annual bonus opportunity may not be reduced, and your base salary shall be periodically reviewed and increased in the manner commensurate with increases awarded to other similarly situated executives of the Company.

(c) Incentive Compensation. You shall be eligible to participate in each long-term incentive plan or arrangement established by the Company for its executive employees, in accordance with the terms and provisions of such plan or arrangement and at a level consistent with the Company's practices applicable to you prior to the Change in Control Date.

(d) Benefits. You shall be eligible to participate in all pension, welfare and fringe benefit plans and arrangements that the Company provides to its executive employees in accordance with the terms of such plans and arrangements, which shall be no less favorable to you, in the aggregate, than the terms and provisions available to other executive employees of the Company.

(e) Location. You will continue to be employed at the business location at which you were employed prior to the Change in Control Date and the amount of time that you are required to travel for business purposes will not be increased in any significant respect from the amount of business travel required of you prior to the Change in Control Date.

3. Involuntary Termination During the Term.

(a) Severance Payment. In the event of your Involuntary Termination during the Term, the Company shall pay you within 5 days of the date of such Involuntary Termination the full amount of any earned but unpaid base salary through the Date of Termination at the rate in effect at the time of the Notice of Termination, plus a cash payment (calculated on the basis of your Reference Salary) for all unused vacation time which you may have accrued as of the Date of Termination. The Company shall also pay you within 5 days of the Date of Termination a pro rata portion of the annual bonus for the year in which your Involuntary Termination occurs, calculated on the basis of your target bonus for that year and on the assumption that all performance targets have been or will be achieved. In addition, the Company shall pay you in a cash lump sum, within 8 days following the date of your execution of the release described in the last sentence of this Section 3(a) (or on the Date of Termination, if later), an amount (the "Severance Payment") equal to the sum of (i) two times your Reference Salary and (ii) one times your Reference Bonus. The Severance Payment shall be in lieu of any other severance payments which you are entitled to receive under any other severance pay plan or arrangement sponsored by the Company and its subsidiaries. Your right to the Severance Payment shall be conditioned upon your execution of a release in favor of the Company in substantially the form of the release required for the receipt of severance payments under the Severance Plan (as in effect on the date of this Agreement) which is not revoked by you within the seven-day revocation period specified therein.

(b) Benefit Payment. In the event of your Involuntary Termination during the Term, you and your eligible dependents shall continue to be eligible to participate during the Benefit Continuation Period (as hereinafter defined) in the medical, dental, health, life and other fringe benefit plans and arrangements applicable to you immediately prior to your Involuntary Termination on the same terms and conditions in effect for you and your dependents immediately prior to such Involuntary Termination. For purposes of the previous sentence, "Benefit Continuation Period" means the period beginning on the Date of Termination and ending on the earlier to occur of (i) the second anniversary of the Date of Termination and (ii) the date that you and your dependents are eligible and elect coverage under the plans of a subsequent employer which provide substantially equivalent or greater benefits to you and your dependents.

(c) Date and Notice of Termination. Any termination of your employment by the Company or by you during the Term shall be communicated by a notice of termination to the other party hereto (the "Notice of Termination"). The Notice of Termination shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated. The date of your termination of employment with the Company and its subsidiaries (the "Date of Termination") shall be determined as follows:
(i) if your employment is terminated for Disability, thirty (30) days after a Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such thirty (30) day period), (ii) if your employment is terminated by the Company in an Involuntary Termination, five (5) days after the date the Notice of Termination is received by you and (iii) if your employment is terminated by the Company for Cause, the later of the date specified in the Notice of Termination or ten (10) days following the date such notice is received by you. If the basis for your Involuntary Termination is your resignation for Good Reason, the Date of Termination shall be ten (10) days after the date your Notice of Termination is received by the Company. The Date of Termination for a resignation of employment other than for Good Reason shall be the date set forth in the applicable notice, which shall be no earlier than ten (10) days after the date such notice is received by the Company.

(d) No Mitigation or Offset. You shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation earned by you as the result of employment by another employer or by pension benefits paid by the Company or another employer after the Date of Termination or otherwise except as specifically provided in clause (ii) of the last sentence of Section 3(b).

4. Additional Payment.

(a) Gross-Up Payment. Notwithstanding anything herein to the contrary, if it is determined that any Payment would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any interest or penalties thereon, is herein referred to as an "Excise Tax"), then you shall be entitled to an additional payment (a "Gross-Up Payment") in an amount that will place you in the same after-tax economic position that you would have enjoyed if the Excise Tax had not applied to the Payment. The amount of the Gross-Up Payment shall be determined by the Accounting Firm in accordance with the formula {(E x (1 - M)/(1 - T)) - E} (or such other formula as the Accounting Firm deems appropriate which is intended to achieve the same result), where
E equals the Payments which are determined to be "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code;

M equals the sum of the highest marginal rates1 for Taxes applicable to you at the time of the Payment; and

T equals M plus the rate of Excise Tax applicable to the Payment.

No Gross-Up Payments shall be payable hereunder if the Accounting Firm determines that the Payments are not subject to an Excise Tax.

(b) Determination of Gross-Up Payment. Subject to the provisions of Section 4(c), all determinations required under this Section 4, including whether a Gross-Up Payment is required, the amount of the Payments constituting excess parachute payments, and the amount of the Gross-Up Payment, shall be made by the Accounting Firm, which shall provide detailed supporting calculations both to you and the Company within fifteen days of the Change in Control Date, your Date of Termination or any other date reasonably requested by you or the Company on which a determination under this Section 4 is necessary or advisable. The Company shall pay to you the initial Gross-Up Payment within 5 days of the receipt by you and the Company of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by you, the Company shall cause the Accounting Firm to provide you with an opinion that the Accounting Firm has substantial authority under the Code and Regulations not to report an Excise Tax on your federal income tax return. Any determination by the Accounting Firm shall be binding upon you and the Company. If the initial Gross-Up Payment is insufficient to cover the amount of the Excise Tax that is ultimately determined to be owing by you with respect to any Payment (hereinafter an "Underpayment"), the Company, after exhausting its remedies under Section 4(c) below, shall promptly pay to you an additional Gross-Up Payment in respect of the Underpayment.

(c) Procedures. You shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notice shall be given as soon as practicable after you know of such claim and shall apprise the Company of the nature of the claim and the date on which the claim is requested to be paid. You agree not to pay the claim until the expiration of the thirty-day period following the date on which you notify the Company, or such shorter period ending on the date the Taxes with respect to such claim are due (the "Notice Period"). If the Company notifies you in writing prior to the expiration of the Notice Period that it desires to contest the claim, you shall: (i) give the Company any information reasonably requested by the Company relating to the claim; (ii) take such action in connection with the claim as the Company may reasonably request, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company and reasonably acceptable to you; (iii) cooperate with the Company in good faith in contesting the claim; and (iv) permit the Company to participate in any proceedings relating to the claim. You shall permit the Company to control all proceedings related to the claim and, at its option, permit the Company to pursue or forgo any and all administrative appeals, proceedings, hearings, and conferences with the taxing authority in respect of such claim. If requested by the Company, you agree either to pay the tax claimed and sue for a refund or contest the claim in any permissible manner and to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts as the Company shall determine; provided, however, that, if the Company directs you to pay such claim and pursue a refund, the Company shall advance the amount of such payment to you on an after-tax and interest-free basis (the "Advance"). The Company's control of the contest related to the claim shall be limited to the issues related to the Gross-Up Payment and you shall be entitled to settle or contest, as the case may be, any other issues raised by the Internal Revenue Service or other taxing authority. If the Company does not notify you in writing prior to the end of the Notice Period of its desire to contest the claim, the Company shall pay to you an additional Gross-Up Payment in respect of the excess parachute payments that are the subject of the claim, and you agree to pay the amount of the Excise Tax that is the subject of the claim to the applicable taxing authority in accordance with applicable law.

(d) Repayments. If, after receipt by you of an Advance, you become entitled to a refund with respect to the claim to which such Advance relates, you shall pay the Company the amount of the refund (together with any interest paid or credited thereon after Taxes applicable thereto). If, after receipt by you of an Advance, a determination is made that you shall not be entitled to any refund with respect to the claim and the Company does not promptly notify you of its intent to contest the denial of refund, then the amount of the Advance shall not be required to be repaid by you and the amount thereof shall offset the amount of the additional Gross-Up Payment then owing to you.

(e) Further Assurances. The Company shall indemnify you and hold you harmless, on an after-tax basis, from any costs, expenses, penalties, fines, interest or other liabilities ("Losses") incurred by you with respect to the exercise by the Company of any of its rights under this Section 4, including, without limitation, any Losses related to the Company's decision to contest a claim or any imputed income to you resulting from any Advance or action taken on your behalf by the Company hereunder. The Company shall pay all legal fees and expenses incurred under this Section 4, and shall promptly reimburse you for the reasonable expenses incurred by you in connection with any actions taken by the Company or required to be taken by you hereunder. The Company shall also pay all of

1 To be expressed in up to three decimal places. For example, a combined federal, state and local marginal rate of 56% would be expressed as .560.

the fees and expenses of the Accounting Firm, including, without limitation, the fees and expenses related to the opinion referred to in Section 4(b).

(f) Combined Payments. Anything in this Section 4 to the contrary notwithstanding, the Company shall have no obligation to pay you a required Gross-Up Payment under this Section 4 if the aggregate amount of all Combined Payments has at the time such payment is due exceeded the Limit. If the amount of a Gross-Up Payment to you under this Section 4 would result in the Combined Payments exceeding the Limit, the Company shall pay you only the portion, if any, of the Gross-Up Payment which can be paid to you without causing the aggregate amount of all Combined Payments to exceed the Limit. In the event that you are entitled to a Gross- Up Payment under this Section 4 and other employees or former employees of the Company are also entitled to gross-up payments under the corresponding provisions of the applicable Combined Arrangements and the aggregate amount of all such payments would cause the Limit on Combined Payments to be exceeded, the Company shall allocate the amount of the reduction necessary to comply with the Limit among all such payments in the proportion that the amount of each such gross-up payment bears to the aggregate amount of all such payments. Nothing in this Section 4(f) shall require you to repay to the Company any amount that was previously paid to you under this Section 4.

5. Other Provisions.

(a) Vesting and Exercise. All Equity Awards granted to you under the Equity Plans (including Short-Term Awards) shall vest and become exercisable in the event of your Involuntary Termination on or following the Change in Control Date. If you are employed by the Company on the date of the Equity Plan Change in Control, your Equity Awards will vest and become exercisable as of such date.

(b) Effect of 30-Day Alternative. In accordance with the terms of the Equity Plans, upon an Equity Plan Change in Control, Equity Awards which are options or stock appreciation rights are "cashed out," unless the Administrator in its discretion determines not to do so. In the event that the Administrator elects not to cash out such Equity Awards, the Administrator has the discretion in the context of a merger or sale of all or substantially all of the assets of the Company either (i) to cause such Equity Awards to be assumed or an equivalent option or stock appreciation right granted by the successor corporation to the Company or a parent or subsidiary of such successor corporation, or (ii) to provide that your Equity Awards will remain outstanding for a thirty-day period beginning on the date that you are so notified of such action by the Administrator and that such Equity Awards will expire to the extent not exercised at the end of such thirty-day period (the "30-Day Alternative"). If the Administrator determines to utilize the 30-Day Alternative, the Company shall pay you with respect to each such Equity Award the excess, if any (the "Additional Amount"), of the Change in Control Price you would have received had the Equity Award been cashed out on the date of the Equity Plan Change in Control over the value of the consideration actually received by you in settlement of such awards (determined as of the date such consideration is received by you). Further, in the event of your Involuntary Termination on or after the Change in Control Date but on or prior to the date of the Equity Plan Change in Control, the Company shall pay you the Additional Amount as if your employment had continued through the date of the Equity Plan Change in Control. In either case, the payment of the Additional Amount shall be made within 5 days following the determination by the Administrator of the Change in Control Price.

(c) Short-Term Awards. In the event that (i) the transaction resulting in an Equity Plan Change in Control occurs at such a time or is structured in such a manner so as to make it reasonably likely that you would be subject to actual or potential liability for short-swing profits under Section 16 of the Exchange Act ("Short-Swing Profit Liability") if you were to exercise, tender, sell or otherwise dispose (including through a merger) of your Short-Term Awards as part of, or prior to, such transaction and (ii) your inability to exercise, tender, sell or otherwise dispose of your Short-Term Awards on or prior to the date of such Equity Plan Change in Control eliminates or reduces the value of some or all of your Short-Term Awards, then, on the date of the Equity Plan Change in Control, the Company shall pay you in a cash lump sum the amount of "amount". The provisions of clause (ii) of the previous sentence shall be deemed to apply where (a) you are precluded from exercising, tendering or otherwise disposing of your Short-Term Awards on or prior to the Transaction Date in order to avoid Short-Swing Profit Liability, (b) a Short-Term Award cannot be repurchased, exchanged or cashed-out by the Company (or other person) on or prior to the Transaction Date without a risk of Short-Swing Profit Liability to you, or (c) you are required to delay the exercise, sale, tender, or other disposition of your Short-Term Awards in order to avoid Short-Swing Profit Liability and such delay results in your receiving consideration for your Short-Term Awards (valued at the date such consideration is received) which is of lesser value than the consideration you would have received (valued as of the date of the Equity Plan Change in Control) for such awards had such delay not occurred. The foregoing provisions shall apply to your Equity Awards notwithstanding your Involuntary Termination of employment with the Company on or after the Change in Control Date but prior to the Equity Plan Change in Control. The provisions of this Section 5(c) shall not apply if (A) prior to the Equity Plan Change in Control, the Company provides you at its expense with an opinion from a nationally recognized firm of attorneys stating that the exercise, tender, sale or other disposition of your Short-Term Awards as part of, or prior to, the transaction resulting in the Equity Plan Change in Control will not subject you to Short-Swing Profit Liability and (B) following your receipt of such opinion there is sufficient time for you to exercise, tender, sell or otherwise dispose of your Short-Term Awards on or prior to the Equity Plan Change in Control without impairing the value thereof.

(d) General. Anything in this Agreement to the contrary notwithstanding, in no event shall the vesting and exercisability provisions applicable to you under the terms of your Equity Awards be less favorable to you then the terms and provisions of such awards in effect on the date hereof.

6. Legal Fees and Expenses. The Company shall pay or reimburse you on an after-tax basis for all costs and expenses (including, without limitation, court costs and reasonable legal fees and expenses which reflect common practice with respect to the matters involved) incurred by you as a result of any claim, action or proceeding (i) arising out of your termination of employment during the Term, (ii) contesting, disputing or enforcing any right, benefits or obligations under this Agreement or (iii) arising out of or challenging the validity, advisability or enforceability of this Agreement or any provision thereof; provided, however, that the amount of the payments and reimbursements under this Section 6 shall not exceed $2 million.

7. Successors; Binding Agreement.

(a) Assumption by Successor. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and to agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place; provided, however, that no such assumption shall relieve the Company of its obligations hereunder. As used in this Agreement, the "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

(b) Enforceability; Beneficiaries. This Agreement shall be binding upon and inure to the benefit of you (and your personal representatives and heirs) and the Company and any organization which succeeds to substantially all of the business or assets of the Company, whether by means of merger, consolidation, acquisition of all or substantially all of the assets of the Company or otherwise, including, without limitation, as a result of a Change in Control or by operation of law. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

8. Definitions. For purposes of this Agreement, the following capitalized words shall have the meanings set forth below:

"Accounting Firm" shall mean Ernst & Young or, if such firm is unable or unwilling to perform such calculations, such other national accounting firm as shall be designated by agreement between you and the Company. To the extent reasonably practicable, one such accounting firm shall be designated to perform the calculations in respect of the Combined Arrangements.

"Administrator" shall mean the "Administrator" as defined in the applicable Equity Plan or, if no such term is defined in the Equity Plan, the Board.

"Cause" shall mean a termination of your employment during the Term which is a result of (i) your felony conviction, (ii) your willful disclosure of material trade secrets or other material confidential information related to the business of the Company and its subsidiaries or (iii) your willful and continued failure substantially to perform your duties with the Company (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure resulting from a resignation by you for Good Reason) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties, and which performance is not substantially corrected by you within 10 days of receipt of such demand. For purposes of the previous sentence, no act or failure to act on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-fourths (3/4ths) of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clause (i), (ii) or
(iii) of the first sentence of this section and specifying the particulars thereof in detail.

"Change in Control" shall mean a change in control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act, whether or not the Company is then subject to such reporting requirement; provided, however, that, anything in this Agreement to the contrary notwithstanding, a Change in Control shall be deemed to have occurred if:

(i) any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity or person, or any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act, is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company;

(ii) during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement) individuals who at the beginning of such period constituted the Board and any new directors, whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least three-fourths (3/4ths) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (the "Incumbent Directors"), cease for any reason to constitute a majority thereof;

(iii) There occurs a reorganization, merger, consolidation or other corporate transaction involving the Company (a "Transaction"), in each case, with respect to which the stockholders of the Company immediately prior to such Transaction do not, immediately after the Transaction, own more than 50 percent of the combined voting power of the Company or other corporation resulting from such Transaction;

(iv) all or substantially all of the assets of the Company are sold, liquidated or distributed; or

(v) there is a "change in control" of the Company within the meaning of Section 280G of the Code and the Regulations.

"Change in Control Date" shall mean the earliest of (i) the date on which the Change in Control occurs, (ii) the date on which the Company executes an agreement, the consummation of which would result in the occurrence of a Change in Control, (iii) the date the Board approves a transaction or series of transactions, the consummation of which would result in a Change in Control and (iv) the date the Company fails to satisfy its obligations to have this agreement assumed by any successor to the Company in accordance with Section 7(a) of this Agreement. If the Change in Control Date occurs as a result of an agreement described in clause (ii) of the previous sentence or as a result of the approval of the Board described in clause (iii) of the previous sentence and the Change in Control to which such agreement or approval relates (the "Contemplated Change in Control") subsequently does not occur, then the Term shall expire on the sixtieth day (the "Reset Date") following the date the Board certifies by resolution duly adopted by three-fourths (3/4ths) of the Incumbent Directors then in office that the Contemplated Change in Control is not reasonably likely to occur; provided, however, that this sentence shall not apply if (A) an Involuntary Termination of your employment with the Company has occurred on and after the Change in Control Date and on or prior to the Reset Date or (B) the Contemplated Change in Control subsequently occurs within three months of the Reset Date. Following the Reset Date, the provisions of this Agreement shall remain in effect and a new Term shall commence upon the occurrence of a subsequent Change in Control Date. Notwithstanding the first sentence of this section, if your employment with the Company terminates prior to the Change in Control Date and it is reasonably demonstrated that your termination of employment (i) was at the request of the third party who has taken steps reasonably calculated to effect the Change in Control or (ii) otherwise arose in connection with or in anticipation of the Change in Control, then Change in Control Date shall mean the date immediately prior to the date of your termination of employment.

"Change in Control Price" shall mean the "Change in Control Price" as defined in the applicable Equity Plan and determined by the Administrator as of the date of the Equity Plan Change in Control, whether or not the Administrator is required under the terms of the applicable Equity Plan to determine such price as of such date.

"Combined Arrangements" shall mean this Agreement, the Retention Agreements entered into as of the date first set forth above between the Company and certain of its executive officers, any Retention Agreement entered into after the date hereof which is specifically designated by the terms thereof as one of the Combined Arrangements and the Supplement to the Severance Plan.

"Combined Payments" shall mean the aggregate cash amount of (i) severance payments made to you under Section 3(a) of this Agreement or to any other employee or former employee under the corresponding provisions of the applicable Combined Arrangement, (ii) severance payments made under Sections 2(e) and 2(f) of the Supplement or the corresponding provisions of the applicable Combined Arrangement, (iii) Gross-Up Payments made to you under Section 6 of this Agreement or to any other employee or former employee under the corresponding provisions of the applicable Combined Arrangement, (iv) fees and expenses which are paid or reimbursed to you under Section 6 of this Agreement or to any other employee or former employee under the corresponding provisions of the applicable Combined Arrangement, (v) payments made to you under Section 5 of this Agreement or to any other employee or former employee under the corresponding provisions of the applicable Combined Arrangement and (vi) costs incurred by the Company in respect of any employee or former employee under Section 2(d) of the Supplement or the corresponding provisions of the applicable Combined Arrangement.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and any successor provisions thereto.

"Common Stock" shall mean the common stock of the Company.

"Disability" shall mean (i) your incapacity due to physical or mental illness which causes you to be absent from the full-time performance of your duties with the Company for six (6) consecutive months, and (ii) your failure to return to full-time performance of your duties for the Company within thirty (30) days after written Notice of Termination due to Disability is given to you. Any question as to the existence of your Disability upon which you and the Company cannot agree shall be determined by a qualified independent physician selected by you (or, if you are unable to make such selection, such selection shall be made by any adult member of your immediate family), and approved by the Company. The determination of such physician made in writing to the Company and to you shall be final and conclusive for all purposes of this Agreement.

"ELTSOP" shall mean the Apple Computer, Inc. 1987 Executive Long Term Stock Option Plan, as amended, and any successor plan thereto.

"Equity Awards" shall mean options, restricted stock, bonus stock or other grants or awards which consist of, or relate to, equity securities of the Company and which have been granted to you under the Equity Plans. For purposes of this Agreement, Equity Awards shall also include any securities acquired upon the exercise of an option, warrant or similar right that constitutes an Equity Award.

"Equity Plan Change in Control" shall mean a change in control of the Company as defined in the applicable Equity Plan.

"Equity Plans" shall mean the Stock Option Plan, the ELTSOP, and any other equity-based incentive plan or arrangement adopted by the Company.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and any successor provisions thereto.

"Good Reason" shall mean a resignation of your employment during the Term as a result of any of the following:

(i) A meaningful and detrimental alteration in your position, your titles, or the nature or status of your responsibilities (including your reporting responsibilities) from those in effect immediately prior to the Change in Control Date;

(ii) A reduction by the Company in your annual base salary as in effect immediately prior to the Change in Control Date or as the same may be increased from time to time thereafter; a failure by the Company to increase your salary at a rate commensurate with that of other key executives of the Company; or a reduction in your target annual bonus (expressed as a percentage of base salary) below the target in effect for you prior to the Change in Control Date;

(iii) The relocation of the office of the Company where you are employed immediately prior to the Change in Control Date (the "CIC Location") to a location which is more than fifty (50) miles away from the CIC Location or the Company's requiring you to be based more than fifty (50) miles away from the CIC Location (except for required travel on the Company's business to an extent substantially consistent with your customary business travel obligations in the ordinary course of business prior to the Change in Control Date);

(iv) The failure by the Company to continue in effect any compensation plan in which you participated prior to the Change in Control Date or made available to you after the Change in Control Date, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan in connection with the Change in Control, or the failure by the Company to continue your participation therein on at least as favorable a basis, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed on the Change in Control Date;

(v) The failure by the Company to continue to provide you with benefits at least as favorable in the aggregate to those enjoyed by you under the Company's pension, savings, life insurance, medical, health and accident, disability, and fringe benefit plans and programs in which you were participating immediately prior to the Change in Control Date; or the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect immediately prior to the Change in Control;

(vi) The failure of the Company to obtain an agreement reasonably satisfactory to you from any successor to assume and agree to perform this Agreement, as contemplated in Section 7(a) hereof or, if the business of the Company for which your services are principally performed is sold at any time after a Change in Control, the failure of the Company to obtain such an agreement from the purchaser of such business;

(vii) Any termination of your employment which is not effected pursuant to the terms of this Agreement; or

(viii) A material breach by the Company of the provisions of this Agreement;

provided, however, that an event described above in clause (i), (ii), (iv), (v) or (viii) shall not constitute Good Reason unless it is communicated by you to the Company in writing and is not corrected by the Company in a manner which is reasonably satisfactory to you (including full retroactive correction with respect to any monetary matter) within 10 days of the Company's receipt of such written notice from you.

"Involuntary Termination" shall mean (i) your termination of employment by the Company and its subsidiaries during the Term other than for Cause or Disability or (ii) your resignation of employment with the Company and its subsidiaries during the Term for Good Reason.

"Limit" shall mean the dollar amount determined in accordance with the formula [A x B x C], where

A equals 0.02;

B equals the number of issued and outstanding shares of Common Stock of the Company immediately prior to the Change in Control Date; and

C equals the greater of (i) (A) if the Common Stock is listed on any established stock exchange or national market system (including, without limitation, the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") System, the highest closing sale price (or closing bid price, if no sales are reported) of a share of Common Stock, or (B) if the Common Stock is regularly quoted on the NASDAQ System (but not on a national market system) or quoted by a recognized securities dealer but selling prices are not reported, the highest mean between the high and low asked prices for the Common Stock, in each case, on any day during the ninety-day period ending on the Change in Control Date, and (ii) the highest price paid or offered, as determined by the Accounting Firm, in any bona fide transaction or bona fide offer related to the Change in Control.

"Payment" means (i) any amount due or paid to you under this Agreement, (ii) any amount that is due or paid to you under any plan, program or arrangement of the Company and its subsidiaries (including, without limitation, the Equity Plans), and (iii) any amount or benefit that is due or payable to you under this Agreement or under any plan, program or arrangement of the Company and its subsidiaries not otherwise covered under clause (i) or (ii) hereof which must reasonably be taken into account under Section 280G of the Code and the Regulations in determining the amount of the "parachute payments" received by you, including, without limitation, any amounts which must be taken into account under the Code and Regulations as a result of (A) the acceleration of the vesting of any option, restricted stock or other equity award granted under the Equity Plans or otherwise, (B) the acceleration of the time at which any payment or benefit is receivable by you or (C) any contingent severance or other amounts that are payable to you.

"Reference Bonus" shall mean the greater of (i) the target annual bonus applicable to you for the year in which your Involuntary Termination occurs and (ii) the highest target annual bonus applicable to you in any of the three years ending prior to the Change in Control Date.

"Reference Salary" shall mean the greater of (i) the annual rate of your base salary from the Company and its subsidiaries in effect immediately prior to the date of your Involuntary Termination and (ii) the annual rate of your base salary from the Company in effect at any point during the three-year period ending on the Change in Control Date.

"Regulations" shall mean the proposed, temporary and final regulations under Section 280G of the Code or any successor provision thereto.

"Severance Plan" means the Apple Computer, Inc. Executive Severance Plan, as amended.

"Short-Term Awards" shall mean Equity Awards which have been granted to you within the six-month period ending on the date of a Equity Plan Change in Control. For purposes of this Agreement, Short-Term Awards shall also include any securities acquired upon the exercise of an Equity Award that constitutes a Short-Term Award.

"Stock Option Plan" shall mean the Apple Computer, Inc. 1990 Stock Option Plan, as amended, and any successor plan thereto.

"Supplement" means the amendment to the Severance Plan adopted as of the date of this Agreement and any future

amendment thereto.

"Taxes" shall mean the federal, state and local income taxes to which you are subject at the time of determination, calculated on the basis of the highest marginal rates then in effect, plus any additional payroll or withholding taxes to which you are then subject.

"Transaction Date" shall mean the date described in clause (i) of the definition of Change in Control Date.

9. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the Board of Directors, Apple Computer, Inc., 1 Infinite Loop, M/S: 381, Cupertino, CA 95014, with a copy to the General Counsel of the Company, or to you at the address set forth on the first page of this Agreement or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

10. Miscellaneous.

(a) Amendments, Waivers, Etc. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement and this Agreement shall supersede all prior agreements, negotiations, correspondence, undertakings and communications of the parties, oral or written, with respect to the subject matter hereof; provided, however, that, except as expressly set forth herein, this Agreement shall not supersede the terms of Equity Awards previously granted to you.

(b) Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(c) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

(d) No Contract of Employment. Nothing in this Agreement shall be construed as giving you any right to be retained in the employ of the Company or shall affect the terms and conditions of your employment with the Company prior to the commencement of the Term hereof.

(e) Withholding. Amounts paid to you hereunder shall be subject to all applicable federal, state and local withholding taxes.

(f) Source of Payments. All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. You will have no right, title or interest whatsoever in or to any investments which the Company may make to aid it in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

(g) Headings. The headings contained in this Agreement are intended solely for convenience of reference and shall not affect the rights of the parties to this Agreement.

(h) Governing Law. The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the State of California applicable to contracts entered into and performed in such State.

* * * *

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

APPLE COMPUTER, INC.

By_____
Name:
Title:

Agreed to as of this day of , 1995.

"name"

EXHIBIT 10.A.22

June 9, 1995
Mr. Michael H. Spindler
1 Infinite Loop
Cupertino, California 95014

Retention Agreement

Dear Mr. Spindler:

Apple Computer, Inc., a California corporation (the "Company"), considers it essential to the best interests of its stockholders to take reasonable steps to retain key management personnel. Further, the Board of Directors of the Company (the "Board") recognizes that the uncertainty and questions which might arise among management in the context of a change in control of the Company could result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

The Board has determined, therefore, that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the management of the Company and its subsidiaries, including yourself, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from any possible change in control of the Company.

In order to induce you to remain in the employ of the Company, the Company has determined to enter into this letter agreement (this "Agreement") which addresses the terms and conditions of your employment in the event of a change in control of the Company. Capitalized words which are not otherwise defined herein shall have the meanings assigned to such words in Section 8 of this Agreement.

1. Term of Employment Under the Agreement. The term of your employment under this Agreement shall commence on the Change in Control Date and shall continue until the third anniversary of the Change in Control Date (the "Term").
2. Employment During the Term. During the Term, the following terms and conditions shall apply to your employment with the Company:

(a) Titles; Reporting and Duties. Your position, titles, nature and status of responsibilities and reporting obligations shall be no less favorable to you than those that you enjoyed immediately prior to the Change in Control Date.

(b) Salary and Bonus. Your base salary and annual bonus opportunity may not be reduced, and your base salary shall be periodically reviewed and increased in the manner commensurate with increases awarded to other senior executives of the Company.

(c) Incentive Compensation. You shall be eligible to participate in each long-term incentive plan or arrangement established by the Company for its executive employees, in accordance with the terms and provisions of such plan or arrangement and at a level consistent with the Company's practices applicable to you prior to the Change in Control Date.

(d) Benefits. You shall be eligible to participate in all pension, welfare and fringe benefit plans and arrangements that the Company provides to its executive employees in accordance with the terms of such plans and arrangements, which shall be no less favorable to you, in the aggregate, than the terms and provisions available to other executive employees of the Company.

(e) Location. You will continue to be employed at the business location at which you were employed prior to the Change in Control Date and the amount of time that you are required to travel for business purposes will not be increased in any significant respect from the amount of business travel required of you prior to the Change in Control Date.

3. Involuntary Termination During the Term.

(a) Severance Payment. In the event of your Involuntary Termination during the Term, the Company shall pay you within 5 days of the date of such Involuntary Termination the full amount of any earned but unpaid base salary through the Date of Termination at the rate in effect at the time of the Notice of Termination, plus a cash payment (calculated on the basis of your Reference Salary) for all unused vacation time which you may have accrued as of the Date of Termination. The Company shall also pay you within 5 days of the Date of Termination a pro rata portion of the annual bonus for the year in which your Involuntary Termination occurs, calculated on the basis of your target bonus for that year and on the assumption that all performance targets have been or will be achieved. In addition, the Company shall pay you in a cash lump sum, within 8 days following the date of your execution of the release described in the last sentence of this Section 3(a) (or the Date of Termination, if later), an amount (the "Severance Payment") equal to three times the sum of your Reference Salary and your Reference Bonus. The Severance Payment shall be in lieu of any other severance payments which you are entitled to receive under any other severance pay plan or arrangement sponsored by the Company and its subsidiaries. Your right to the Severance Payment shall be conditioned upon your execution of a release in favor of the Company in substantially the form of the release required for the receipt of severance payments under the Severance Plan (as in effect on the date of this Agreement) which is not revoked by you within the seven-day revocation period specified therein.

(b) Benefit Payment. In the event of your Involuntary Termination during the Term, you and your eligible dependents shall continue to be eligible to participate during the Benefit Continuation Period (as hereinafter defined) in the medical, dental, health, life and other fringe benefit plans and arrangements applicable to you immediately prior to your Involuntary Termination on the same terms and conditions in effect for you and your dependents immediately prior to such Involuntary Termination. For purposes of the previous sentence, "Benefit Continuation Period" means the period beginning on the Date of Termination and ending on the earlier to occur of (i) the third anniversary of the Date of Termination and (ii) the date that you and your dependents are eligible and elect coverage under the plans of a subsequent employer which provide substantially equivalent or greater benefits to you and your dependents.

(c) Date and Notice of Termination. Any termination of your employment by the Company or by you during the Term shall be communicated by a notice of termination to the other party hereto (the "Notice of Termination"). The Notice of Termination shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated. The date of your termination of employment with the Company and its subsidiaries (the "Date of Termination") shall be determined as follows: (i) if your employment is terminated for Disability, thirty (30) days after a Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such thirty (30) day period), (ii) if your employment is terminated by the Company in an Involuntary Termination, five (5) days after the date the Notice of Termination is received by you and (iii) if your employment is terminated by the Company for Cause, the later of the date specified in the Notice of Termination or ten (10) days following the date such notice is received by you. If the basis for your Involuntary Termination is your resignation for Good Reason, the Date of Termination shall be ten (10) days after the date your Notice of Termination is received by the Company. The Date of Termination for a resignation of employment other than for Good Reason shall be the date set forth in the applicable notice, which shall be no earlier than ten (10) days after the date such notice is received by the Company.

(d) No Mitigation or Offset. You shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation earned by you as the result of employment by another employer or by pension benefits paid by the Company or another employer after the Date of Termination or otherwise except as specifically provided in clause (ii) of the last sentence of Section 3(b).

4. Additional Payment.

(a) Gross-Up Payment. Notwithstanding anything herein to the contrary, if it is determined that any Payment would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any interest or penalties thereon, is herein referred to as an "Excise Tax"), then you shall be entitled to an additional payment (a "Gross-Up Payment") in an amount that will place you in the same after-tax economic position that you would have enjoyed if the Excise Tax had not applied to the Payment. The amount of the Gross-Up Payment shall be determined by the Accounting Firm in accordance with the formula {(E x (1 - M)/(1 - T)) - E} (or such other formula as the Accounting Firm deems appropriate which is intended to achieve the same result), where E equals the Payments which are determined to be "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code;

M equals the sum of the highest marginal rates[1] for Taxes applicable to you at the time of the Payment; and

T equals M plus the rate of Excise Tax applicable to the Payment.

No Gross-Up Payments shall be payable hereunder if the Accounting Firm determines that the Payments are not subject to an Excise Tax.

(b) Determination of Gross-Up Payment. Subject to the provisions of Section 4(c), all determinations required under this Section 4, including whether a Gross-Up Payment is required, the amount of the Payments constituting excess parachute payments, and the amount of the Gross-Up Payment, shall be made by the Accounting Firm, which shall provide detailed supporting calculations both to you and the Company within fifteen days of the Change in Control Date, your Date of Termination or any other date reasonably requested by you or the Company on which a determination under this Section 4 is necessary or advisable. The Company shall pay to you the initial Gross-Up Payment within 5 days of the receipt by you and the Company of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by you, the Company shall cause the Accounting Firm to provide you with an opinion that the Accounting Firm has substantial authority under the Code and Regulations not to report an Excise Tax on your federal income tax return. Any determination by the Accounting Firm shall be binding upon you and the Company. If the initial Gross-Up Payment is insufficient to cover the amount of the Excise Tax that is ultimately determined to be owing by you with respect to any Payment (hereinafter an "Underpayment"), the Company, after exhausting its remedies under
Section 4(c) below, shall promptly pay to you an additional Gross-Up Payment in respect of the Underpayment.

(c) Procedures. You shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notice shall be given as soon as practicable after you know of such claim and shall apprise the Company of the nature of the claim and the date on which the claim is requested to be paid. You agree not to pay the claim until the expiration of the thirty-day period following the date on which you notify the Company, or such shorter period ending on the date the Taxes with respect to such claim are due (the "Notice Period"). If the Company notifies you in writing prior to the expiration of the Notice Period that it desires to contest the claim, you shall: (i) give the Company any information reasonably requested by the Company relating to the claim; (ii) take such action in connection with the claim as the Company may reasonably request, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company and reasonably acceptable to you; (iii) cooperate with the Company in good faith in contesting the claim; and (iv) permit the Company to participate in any proceedings relating to the claim. You shall permit the Company to control all proceedings related to the claim and, at its option, permit the Company to pursue or forgo any and all administrative appeals, proceedings, hearings, and conferences with the taxing authority in respect of such claim. If requested by the Company, you agree either to pay the tax claimed and sue for a refund or contest the claim in any permissible manner and to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts as the Company shall determine; provided, however, that, if the Company directs you to pay such claim and pursue a refund, the Company shall advance the amount of such payment to you on an after-tax and interest-free basis (the "Advance"). The Company's control of the contest related to the claim shall be limited to the issues related to the Gross-Up Payment and you shall be entitled to settle or contest, as the case may be, any other issues raised by the Internal Revenue Service or other taxing authority. If the Company does not notify you in writing prior to the end of the Notice Period of its desire to contest the claim, the Company shall pay to you an additional Gross-Up Payment in respect of the excess parachute payments that are the subject of the claim, and you agree to pay the amount of the Excise Tax that is the subject of the claim to the applicable taxing authority in accordance with applicable law.

(d) Repayments. If, after receipt by you of an Advance, you become entitled to a refund with respect to the claim to which such Advance relates, you shall pay the Company the amount of the refund (together with any interest paid or credited thereon after Taxes applicable thereto). If, after receipt by you of an Advance, a determination is made that you shall not be entitled to any refund with respect to the claim and the Company does not promptly notify you of its intent to contest the denial of refund, then the amount of the Advance shall not be required to be repaid by you and the amount thereof shall offset the amount of the additional Gross-Up Payment then owing to you.

(e) Further Assurances. The Company shall indemnify you and hold you harmless, on an after-tax basis, from any costs, expenses, penalties, fines, interest or other liabilities ("Losses") incurred by you with respect to the exercise by the Company of any of its rights under this Section 4, including, without limitation, any Losses related to the Company's decision to

[1]To be expressed in up to three decimal places. For example, a combined federal, state and local marginal rate of 56% would be expressed as .560.

contest a claim or any imputed income to you resulting from any Advance or action taken on your behalf by the Company hereunder. The Company shall pay all legal fees and expenses incurred under this Section 4, and shall promptly reimburse you for the reasonable expenses incurred by you in connection with any actions taken by the Company or required to be taken by you hereunder. The Company shall also pay all of the fees and expenses of the Accounting Firm, including, without limitation, the fees and expenses related to the opinion referred to in Section 4(b).

(f) Combined Payments. Anything in this Section 4 to the contrary notwithstanding, the Company shall have no obligation to pay you a required Gross-Up Payment under this Section 4 if the aggregate amount of all Combined Payments has at the time such payment is due exceeded the Limit. If the amount of a Gross-Up Payment to you under this Section 4 would result in the Combined Payments exceeding the Limit, the Company shall pay you only the portion, if any, of the Gross-Up Payment which can be paid to you without causing the aggregate amount of all Combined Payments to exceed the Limit. In the event that you are entitled to a Gross-Up Payment under this Section 4 and other employees or former employees of the Company are also entitled to gross-up payments under the corresponding provisions of the applicable Combined Arrangements and the aggregate amount of all such payments would cause the Limit on Combined Payments to be exceeded, the Company shall allocate the amount of the reduction necessary to comply with the Limit among all such payments in the proportion that the amount of each such gross-up payment bears to the aggregate amount of all such payments. Nothing in this Section 4(f) shall require you to repay to the Company any amount that was previously paid to you under this Section 4.

5. Other Provisions.

(a) Vesting and Exercise. All Equity Awards granted to you under the Equity Plans (including Short-Term Awards) shall vest and become exercisable in the event of your Involuntary Termination on or following the Change in Control Date. If you are employed by the Company on the date of the Equity Plan Change in Control, your Equity Awards will vest and become exercisable as of such date.

(b) Effect of 30-Day Alternative. In accordance with the terms of the Equity Plans, upon an Equity Plan Change in Control, Equity Awards which are options or stock appreciation rights are "cashed out," unless the Administrator in its discretion determines not to do so. In the event that the Administrator elects not to cash out such Equity Awards, the Administrator has the discretion in the context of a merger or sale of all or substantially all of the assets of the Company either (i) to cause such Equity Awards to be assumed or an equivalent option or stock appreciation right granted by the successor corporation to the Company or a parent or subsidiary of such successor corporation, or (ii) to provide that your Equity Awards will remain outstanding for a thirty- day period beginning on the date that you are so notified of such action by the Administrator and that such Equity Awards will expire to the extent not exercised at the end of such thirty-day period (the "30-Day Alternative"). If the Administrator determines to utilize the 30-Day Alternative, the Company shall pay you with respect to each such Equity Award the excess, if any (the "Additional Amount"), of the Change in Control Price you would have received had the Equity Award been cashed out on the date of the Equity Plan Change in Control over the value of the consideration actually received by you in settlement of such awards (determined as of the date such consideration is received by you). Further, in the event of your Involuntary Termination on or after the Change in Control Date but on or prior to the date of the Equity Plan Change in Control, the Company shall pay you the Additional Amount as if your employment had continued through the date of the Equity Plan Change in Control. In either case, the payment of the Additional Amount shall be made within 5 days following the determination by the Administrator of the Change in Control Price.

(c) Short-Term Awards. In the event that (i) the transaction resulting in an Equity Plan Change in Control occurs at such a time or is structured in such a manner so as to make it reasonably likely that you would be subject to actual or potential liability for short-swing profits under Section 16 of the Exchange Act ("Short-Swing Profit Liability") if you were to exercise, tender, sell or otherwise dispose (including through a merger) of your Short-Term Awards as part of, or prior to, such transaction and (ii) your inability to exercise, tender, sell or otherwise dispose of your Short-Term Awards on or prior to the date of such Equity Plan Change in Control eliminates or reduces the value of some or all of your Short-Term Awards, then, on the date of the Equity Plan Change in Control, the Company shall pay you in a cash lump sum the amount of $0. The provisions of clause (ii) of the previous sentence shall be deemed to apply where (a) you are precluded from exercising, tendering or otherwise disposing of your Short-Term Awards on or prior to the Transaction Date in order to avoid Short-Swing Profit Liability, (b) a Short-Term Award cannot be repurchased, exchanged or cashed-out by the Company (or other person) on or prior to the Transaction Date without a risk of Short- Swing Profit Liability to you, or (c) you are required to delay the exercise, sale, tender, or other disposition of your Short-Term Awards in order to avoid Short-Swing Profit Liability and such delay results in your receiving consideration for your Short-Term Awards (valued at the date such consideration is received) which is of lesser value than the consideration you would have received (valued as of the date of the Equity Plan Change in Control) for such awards had such delay not occurred. The foregoing provisions shall apply to your Equity Awards notwithstanding your Involuntary Termination of employment with the Company on or after the Change in Control Date but prior to the Equity Plan Change in Control. The provisions of this Section 5(c) shall not apply if (A) prior to the Equity Plan Change in Control, the Company provides you at its expense with an opinion from a nationally recognized firm of attorneys stating that the exercise, tender, sale or other disposition of your Short-Term Awards as part of, or prior to, the transaction resulting in the Equity Plan Change in Control will not subject you to Short-Swing Profit Liability and (B) following your receipt of

such opinion there is sufficient time for you to exercise, tender, sell or otherwise dispose of your Short-Term Awards on or prior to the Equity Plan Change in Control without impairing the value thereof.

(d) General. Anything in this Agreement to the contrary notwithstanding, in no event shall the vesting and exercisability provisions applicable to you under the terms of your Equity Awards be less favorable to you then the terms and provisions of such awards in effect on the date hereof.

6. Legal Fees and Expenses. The Company shall pay or reimburse you on an after-tax basis for all costs and expenses (including, without limitation, court costs and reasonable legal fees and expenses which reflect common practice with respect to the matters involved) incurred by you as a result of any claim, action or proceeding (i) arising out of your termination of employment during the Term, (ii) contesting, disputing or enforcing any right, benefits or obligations under this Agreement or (iii) arising out of or challenging the validity, advisability or enforceability of this Agreement or any provision thereof; provided, however, that the amount of the payments and reimbursements under this Section 6 shall not exceed $2 million.

7. Successors; Binding Agreement.

(a) Assumption by Successor. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and to agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place; provided, however, that no such assumption shall relieve the Company of its obligations hereunder. As used in this Agreement, the "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

(b) Enforceability; Beneficiaries. This Agreement shall be binding upon and inure to the benefit of you (and your personal representatives and heirs) and the Company and any organization which succeeds to substantially all of the business or assets of the Company, whether by means of merger, consolidation, acquisition of all or substantially all of the assets of the Company or otherwise, including, without limitation, as a result of a Change in Control or by operation of law. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

8. Definitions. For purposes of this Agreement, the following capitalized words shall have the meanings set forth below:

"Accounting Firm" shall mean Ernst & Young or, if such firm is unable or unwilling to perform such calculations, such other national accounting firm as shall be designated by agreement between you and the Company. To the extent reasonably practicable, one such accounting firm shall be designated to perform the calculations in respect of the Combined Arrangements.

"Administrator" shall mean the "Administrator" as defined in the applicable Equity Plan or, if no such term is defined in the Equity Plan, the Board.

"Cause" shall mean a termination of your employment during the Term which is a result of (i) your felony conviction, (ii) your willful disclosure of material trade secrets or other material confidential information related to the business of the Company and its subsidiaries or (iii) your willful and continued failure substantially to perform your duties with the Company (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure resulting from a resignation by you for Good Reason) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties, and which performance is not substantially corrected by you within 10 days of receipt of such demand. For purposes of the previous sentence, no act or failure to act on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-fourths (3/4ths) of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clause (i), (ii) or (iii) of the first sentence of this section and specifying the particulars thereof in detail.

"Change in Control" shall mean a change in control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act, whether or not the Company is then subject to such reporting requirement; provided, however, that, anything in this Agreement to the contrary

notwithstanding, a Change in Control shall be deemed to have occurred if:

(i) any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity or person, or any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act, is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company;

(ii) during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement) individuals who at the beginning of such period constituted the Board and any new directors, whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least three-fourths (3/4ths) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (the "Incumbent Directors"), cease for any reason to constitute a majority thereof;

(iii) There occurs a reorganization, merger, consolidation or other corporate transaction involving the Company (a "Transaction"), in each case, with respect to which the stockholders of the Company immediately prior to such Transaction do not, immediately after the Transaction, own more than 50 percent of the combined voting power of the Company or other corporation resulting from such Transaction;

(iv) all or substantially all of the assets of the Company are sold, liquidated or distributed; or

(v) there is a "change in control" of the Company within the meaning of Section 280G of the Code and the Regulations.

"Change in Control Date" shall mean the earliest of (i) the date on which the Change in Control occurs, (ii) the date on which the Company executes an agreement, the consummation of which would result in the occurrence of a Change in Control, (iii) the date the Board approves a transaction or series of transactions, the consummation of which would result in a Change in Control and (iv) the date the Company fails to satisfy its obligations to have this agreement assumed by any successor to the Company in accordance with Section 7(a) of this Agreement. If the Change in Control Date occurs as a result of an agreement described in clause
(ii) of the previous sentence or as a result of the approval of the Board described in clause (iii) of the previous sentence and the Change in Control to which such agreement or approval relates (the "Contemplated Change in Control") subsequently does not occur, then the Term shall expire on the sixtieth day (the "Reset Date") following the date the Board certifies by resolution duly adopted by three-fourths (3/4ths) of the Incumbent Directors then in office that the Contemplated Change in Control is not reasonably likely to occur; provided, however, that this sentence shall not apply if (A) an Involuntary Termination of your employment with the Company has occurred on and after the Change in Control Date and on or prior to the Reset Date or (B) the Contemplated Change in Control subsequently occurs within three months of the Reset Date. Following the Reset Date, the provisions of this Agreement shall remain in effect and a new Term shall commence upon the occurrence of a subsequent

Change in Control Date. Notwithstanding the first sentence of this section, if your employment with the Company terminates prior to the Change in Control Date and it is reasonably demonstrated that your termination of employment (i) was at the request of the third party who has taken steps reasonably calculated to effect the Change in Control or (ii) otherwise arose in connection with or in anticipation of the Change in Control, then Change in Control Date shall mean the date immediately prior to the date of your termination of employment.

"Change in Control Price" shall mean the "Change in Control Price" as defined in the applicable Equity Plan and determined by the Administrator as of the date of the Equity Plan Change in Control, whether or not the Administrator is required under the terms of the applicable Equity Plan to determine such price as of such date.

"Combined Arrangements" shall mean this Agreement, the Retention Agreements entered into as of the date first set forth above between the Company and certain of its executive officers, any Retention Agreement entered into after the date hereof which is specifically designated by the terms thereof as one of the Combined Arrangements and the Supplement to the Severance Plan.

"Combined Payments" shall mean the aggregate cash amount of
(i) severance payments made to you under Section 3(a) of this Agreement or to any other employee or former employee under the corresponding provisions of the applicable Combined Arrangement, (ii) severance payments made under Sections 2(e) and 2(f) of the Supplement or the corresponding provisions of the applicable Combined Arrangement, (iii) Gross-Up Payments made to you under Section 6 of this Agreement or to any other employee or former employee under the corresponding provisions of the applicable Combined Arrangement, (iv) fees and expenses which are paid or reimbursed to you under Section 6 of this Agreement or to any other employee or former employee under the corresponding provisions of the applicable Combined Arrangement, (v) payments made to you under Section 5 of this Agreement or to any other employee or former employee under the corresponding provisions of the applicable Combined Arrangement and (vi) costs incurred by the Company in respect of any employee or former employee under
Section 2(d) of the Supplement or the corresponding provisions of the applicable Combined Arrangement.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and any successor provisions thereto.

"Common Stock" shall mean the common stock of the Company.

"Disability" shall mean (i) your incapacity due to physical or mental illness which causes you to be absent from the full-time performance of your duties with the Company for six (6) consecutive months, and (ii) your failure to return to full-time performance of your duties for the Company within thirty (30) days after written Notice of Termination due to Disability is given to you. Any question as to the existence of your Disability upon which you and the Company cannot agree shall be determined by a qualified independent physician selected by you (or, if you are unable to make such selection, such selection shall be made by any adult member of your immediate family), and approved by the Company. The determination of such physician made in writing to the Company and to you shall be final and conclusive for all purposes of this Agreement.

"ELTSOP" shall mean the Apple Computer, Inc. 1987 Executive Long Term Stock Option Plan, as amended, and any successor plan thereto.

"Equity Awards" shall mean options, restricted stock, bonus stock or other grants or awards which consist of, or relate to, equity securities of the Company and which have been granted to you under the Equity Plans. For purposes of this Agreement, Equity Awards shall also include any securities acquired upon the exercise of an option, warrant or similar right that constitutes an Equity Award.

"Equity Plan Change in Control" shall mean a change in control of the Company as defined in the applicable Equity Plan.

"Equity Plans" shall mean the Stock Option Plan, the ELTSOP, and any other equity-based incentive plan or arrangement adopted by the Company.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and any successor provisions thereto.

"Good Reason" shall mean a resignation of your employment during the Term as a result of any of the following:

(i) A meaningful and detrimental alteration in your position, or the nature or status of your responsibilities (including those as a director of the Company) from those in effect immediately prior to the Change in Control Date or a meaningful and detrimental change in your reporting responsibilities or titles as in effect immediately prior to the Change in Control Date;

(ii) A reduction by the Company in your annual base salary as in effect immediately prior to the Change in Control Date or as the same may be increased from time to time thereafter; a failure by the Company to increase your salary at a rate commensurate with that of other key executives of the Company; or a reduction in your target annual bonus (expressed as a percentage of base salary) below the target in effect for you on the Change in Control Date;

(iii) The relocation of the office of the Company where you are employed immediately prior to the Change in Control Date (the "Location") to a location which, in your good faith assessment, is in an area not generally considered conducive to maintaining the offices of a company such as the Company because of hazardous or undesirable conditions including, without limitation, a high crime rate or inadequate facilities, or to a location which is more than fifty (50) miles away from the Location or the Company's requiring you to be based more than fifty (50) miles away from the Location (except for required travel on the Company's business to an extent substantially consistent with your customary business travel obligations in the ordinary course of business prior to the Change in Control Date);

(iv) The failure by the Company to continue in effect any compensation plan in which you participated prior to the Change in Control Date or made available to you after the Change in Control Date, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan in connection with the Change in Control, or the failure by the Company to continue your participation therein on at least as favorable a basis, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed on the Change in Control Date;

(v) The failure by the Company to continue to provide you with benefits at least as favorable in the aggregate to those enjoyed by you under the Company's pension, savings, life insurance, medical, health and accident, disability, and fringe benefit plans and programs (including, without limitation, programs, if any, relating to use of a car, secretary, office space, telephones, expense reimbursement and club dues) in which you were participating immediately prior to the Change in

Control Date; or the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect immediately prior to the Change in Control;

(vi) The failure of the Company to obtain an agreement reasonably satisfactory to you from any successor to assume and agree to perform this Agreement, as contemplated in Section 7(a) hereof;

(vii) Any termination of your employment which is not effected pursuant to the terms of this Agreement; or

(viii) A material breach by the Company of the provisions of this Agreement;

provided, however, that an event described above in clause (ii), (iv), (v) or (viii) shall not constitute Good Reason unless it is communicated by you to the Company in writing and is not corrected by the Company in a manner which is reasonably satisfactory to you (including full retroactive correction with respect to any monetary matter) within 10 days of the Company's receipt of such written notice from you.

"Involuntary Termination" shall mean (i) your termination of employment by the Company and its subsidiaries during the Term other than for Cause or Disability or (ii) your resignation of employment with the Company and its subsidiaries during the Term for Good Reason.

"Limit" shall mean the dollar amount determined in accordance with the formula [A x B x C], where

A equals 0.02;

B equals the number of issued and outstanding shares of Common Stock of the Company immediately prior to the Change in Control Date; and

C equals the greater of (i) (A) if the Common Stock is listed on any established stock exchange or national market system (including, without limitation, the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") System, the highest closing sale price (or closing bid price, if no sales are reported) of a share of Common Stock, or (B) if the Common Stock is regularly quoted on the NASDAQ System (but not on a national market system) or quoted by a recognized securities dealer but selling prices are not reported, the highest mean between the high and low asked prices for the Common Stock, in each case, on any day during the ninety-day period ending on the Change in Control Date, and (ii) the highest price paid or offered, as determined by the Accounting Firm, in any bona fide transaction or bona fide offer related to the Change in Control.

"Payment" means (i) any amount due or paid to you under this Agreement, (ii) any amount that is due or paid to you under any plan, program or arrangement of the Company and its subsidiaries
(including, without limitation, the Equity Plans), and (iii)
any amount or benefit that is due or payable to you under this Agreement or under any plan, program or arrangement of the Company and its subsidiaries not otherwise covered under clause (i) or (ii) hereof which must reasonably be taken into account under Section 280G of the Code and the Regulations in determining the amount of the "parachute payments" received by you, including, without limitation, any amounts which must be taken into account under the Code and Regulations as a result of (A) the acceleration of the vesting of any option, restricted stock or other equity award granted under the Equity Plans or otherwise, (B) the acceleration of the time at which any payment or benefit is receivable by you or (C) any contingent severance or other amounts that are payable to you.

"Reference Bonus" shall mean the greater of (i) the target annual bonus applicable to you for the year in which your Involuntary Termination occurs and (ii) the highest target annual bonus applicable to you in any of the three years ending prior to the Change in Control Date.

"Reference Salary" shall mean the greater of (i) the annual rate of your base salary from the Company and its subsidiaries in effect immediately prior to the date of your Involuntary Termination and (ii) the annual rate of your base salary from the Company in effect at any point during the three-year period ending on the Change in Control Date.

"Regulations" shall mean the proposed, temporary and final regulations under Section 280G of the Code or any successor provision thereto.

"Severance Plan" means the Apple Computer, Inc. Executive Severance Plan, as amended.

"Short-Term Awards" shall mean Equity Awards which have been granted to you within the six-month period

ending on the date of a Equity Plan Change in Control. For purposes of this Agreement, Short-Term Awards shall also include any securities acquired upon the exercise of an Equity Award that constitutes a Short-Term Award.

"Stock Option Plan" shall mean the Apple Computer, Inc. 1990 Stock Option Plan, as amended, and any successor plan thereto.

"Supplement" means the amendment to the Severance Plan adopted as of the date of this Agreement and any future amendment thereto.

"Taxes" shall mean the federal, state and local income taxes to which you are subject at the time of determination, calculated on the basis of the highest marginal rates then in effect, plus any additional payroll or withholding taxes to which you are then subject.

"Transaction Date" shall mean the date described in clause
(i) of the definition of Change in Control Date.

9. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the Board of Directors, Apple Computer, Inc., 1 Infinite Loop, M/S: 381, Cupertino, CA 95014, with a copy to the General Counsel of the Company, or to you at the address set forth on the first page of this Agreement or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

10. Miscellaneous.

(a) Amendments, Waivers, Etc. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement and this Agreement shall supersede all prior agreements, negotiations, correspondence, undertakings and communications of the parties, oral or written, with respect to the subject matter hereof; provided, however, that, except as expressly set forth herein, this Agreement shall not supersede the terms of Equity Awards previously granted to you.

(b) Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(c) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

(d) No Contract of Employment. Nothing in this Agreement shall be construed as giving you any right to be retained in the employ of the Company or shall affect the terms and conditions of your employment with the Company prior to the commencement of the Term hereof.

(e) Withholding. Amounts paid to you hereunder shall be subject to all applicable federal, state and local withholding taxes.

(f) Source of Payments. All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. You will have no right, title or interest whatsoever in or to any investments which the Company may make to aid it in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.
(g) Headings. The headings contained in this Agreement are intended solely for convenience of reference and shall not affect the rights of the parties to this Agreement.

(h) Governing Law. The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the State of California applicable to contracts entered into and performed in such State.

* * * *

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

APPLE COMPUTER, INC.

By_____
Name:
Title:

Agreed to as of this day of , 1995.

Michael H. Spindler

EXHIBIT 11

APPLE COMPUTER, INC.

COMPUTATION OF EARNINGS PER COMMON SHARE

(In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	June 30, 1995	July 1, 1994	June 30, 1995	July 1, 1994
Primary Earnings Per Share				
Earnings				
Net income applicable to common stock	$ 103,019	$ 138,101	$ 364,122	$ 195,523
Shares				
Weighted average number of common shares outstanding	121,379	118,267	120,681	117,375
Adjustment for dilutive effect of outstanding stock options	1,824	593	1,801	878
Weighted average number of common and common equivalent shares used for primary earnings per share	123,203	118,860	122,482	118,253
Primary earnings per common share	$ 0.84	$ 1.16	$ 2.97	$ 1.65
Fully Diluted Earnings Per Share				
Earnings				
Net income applicable to common stock	$ 103,019	$ 138,101	$ 364,122	$ 195,523
Shares				
Weighted average number of common shares outstanding	121,379	118,267	120,681	117,375
Adjustment for dilutive effect of outstanding stock options	2,647	593	2,095	904
Weighted average number of common and common equivalent shares used for fully diluted earnings per share	124,026	118,860	122,776	118,279
Fully diluted earnings per common share	$ 0.83	$ 1.16	$ 2.97	$ 1.65

EXHIBIT 27

APPLE COMPUTER, INC.

FINANCIAL DATA SCHEDULE

(In millions, except per share amounts)

ARTICLE 5

MULTIPLIER: 1,000,000
PERIOD TYPE: 9 MOS
FISCAL YEAR END: SEP 29 1995
PERIOD END: JUN 30 1995
CASH: 1,168
SECURITIES: 508
RECEIVABLES: 1,651
ALLOWANCES: 98
INVENTORY: 1,367
CURRENT ASSETS: 5,191
PP&E: 1,500
DEPRECIATION: 809
TOTAL ASSETS: 6,112
CURRENT LIABILITIES: 2,178
BONDS: 303
COMMON: 356
PREFERRED MANDATORY: 0
PREFERRED: 0
OTHER SE: 2,472
TOTAL LIABILITY AND EQUITY: 6,112
SALES: 8,059
TOTAL REVENUES: 8,059
CGS: 5,822
TOTAL COSTS: 5,822
OTHER EXPENSES: 1,625
LOSS PROVISION: 0
INTEREST EXPENSE: 33
INCOME PRETAX: 579
INCOME TAX: 215
INCOME CONTINUING: 364
DISCONTINUED: 0
EXTRAORDINARY: 0
CHANGES: 0
NET INCOME: 364
EPS PRIMARY: 2.97
EPS DILUTED: 2.97

End of Filing

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