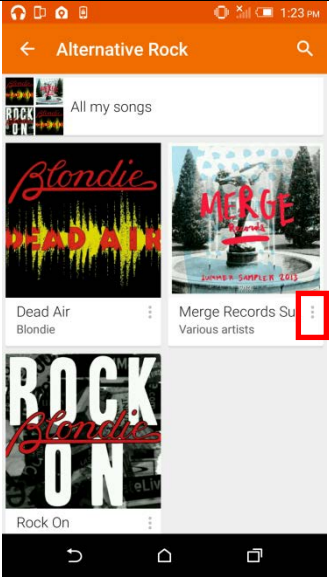


'433 Claims	HTC One M9
	 <p data-bbox="751 764 1873 898">Fig. 79 – After selecting “Alternative Rock,” the third display screen displays album names associated with the selected genre of alternative rock. In this example, the album name “Merge Records Summer Sampler 2013” is selected by tapping on the three vertical dots on the bottom right corner of the album.</p>
<p data-bbox="165 927 716 1024">(d) the accessing at least one track comprises adding a plurality of tracks associated with the selected album name to a playlist.</p>	<p data-bbox="758 927 1860 1024">The HTC One M9 is operable to perform the method of claim 1 wherein the accessing at least one track comprises adding a plurality of tracks associated with the selected album name to a playlist.</p> <p data-bbox="758 1049 1073 1073">See discussion for claim 1.</p> <p data-bbox="758 1101 1892 1268">The pre-installed Play Music application on the HTC One M9 is allows a user to select an album name from the third screen and add a plurality of tracks associated with the album name to a playlist. For example, when the user selects the album “Merge Records Summer Sampler 2013” by tapping on the three vertical dots on the bottom right corner of the album and selects “Shuffle,” all of the tracks associated with the selected album name are added to the queue.</p>

'433 Claims

HTC One M9

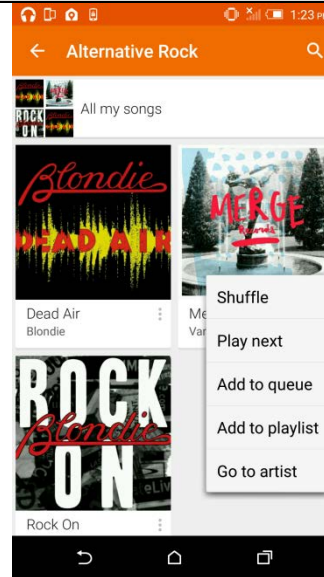


Fig. 80 – After tapping the three vertical dots on the bottom right corner of the album “Merge Records Summer Sampler 2013,” the user is presented with multiple options including “Shuffle.”

'433 Claims

HTC One M9

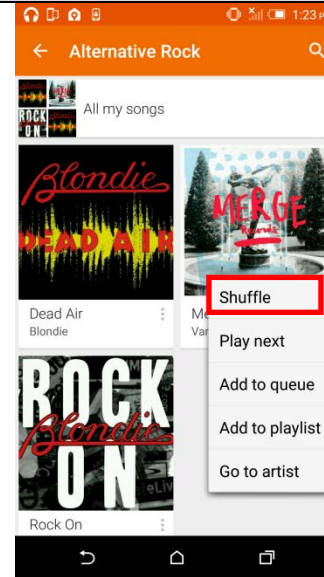
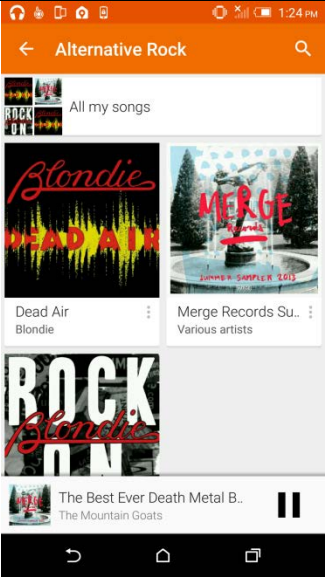
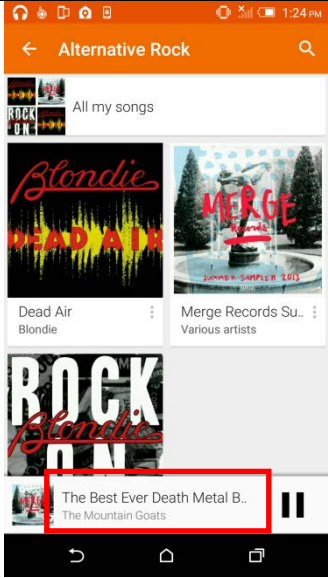


Fig. 81 – “Shuffle” is selected.

'433 Claims	HTC One M9
	 <p data-bbox="1646 347 1892 513">Track begins to play.</p> <p data-bbox="779 764 1835 829">Fig. 82 – All of the tracks from the Album have been added to the queue. The first of the randomized tracks from the album begins to play.</p>

'433 Claims	HTC One M9
	 <p data-bbox="768 743 1877 813">Fig. 83 – All of the tracks from the album have been added to the queue. This can be seen by first selecting the now playing bar.</p>

'433 Claims

HTC One M9

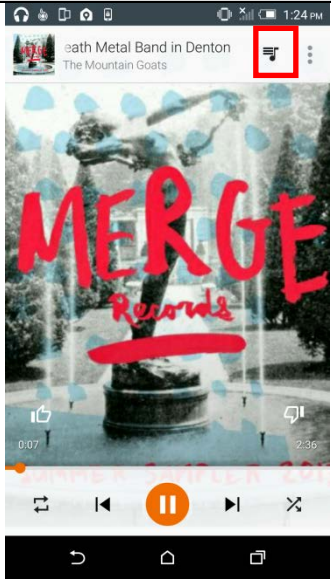
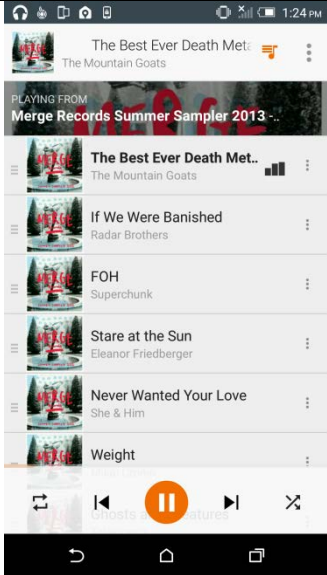
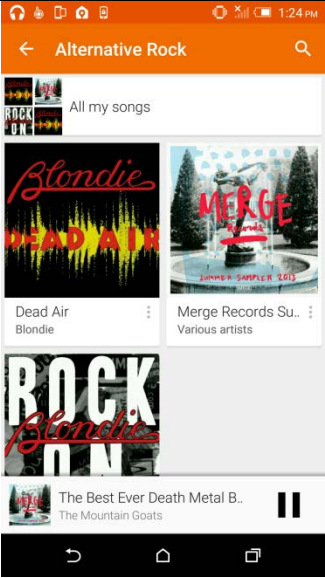
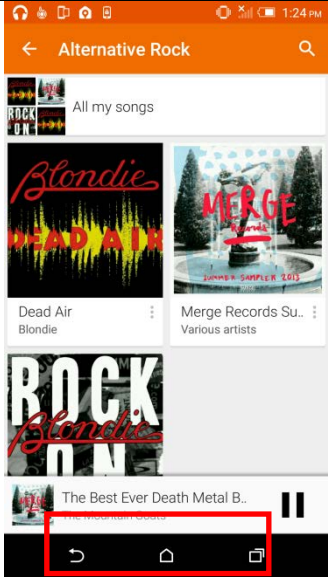



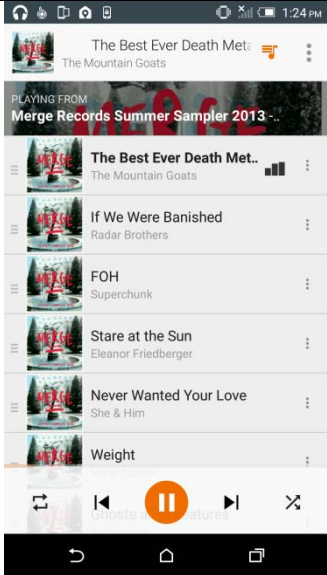
Fig. 84 – The queue can then be viewed by selecting the playlist icon from the top right corner next to the three vertical dots.

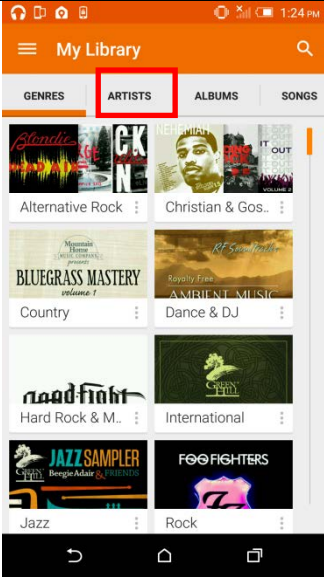
'433 Claims	HTC One M9
	 <p data-bbox="762 743 1881 808">Fig. 85 – The queue shows that all of the tracks from the album have been added to the queue, and when the currently playing track ends, the next track in the queue from the album will play.</p>
<p data-bbox="174 836 714 966">26. The method of selecting a track as recited in claim 25 wherein the playlist is an active queue list of songs that is currently being played.</p>	<p data-bbox="762 836 1875 901">The HTC One M9 is operable to perform the method of selecting a track as recited in claim 25 wherein the playlist is an active queue list of songs that is currently being played.</p> <p data-bbox="762 922 1098 954">See discussion for claim 25.</p>

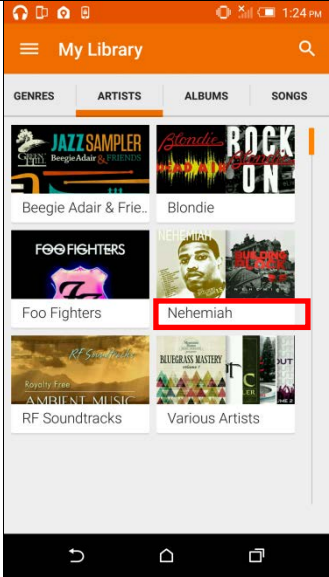
'433 Claims	HTC One M9
	 <p data-bbox="1646 347 1892 513">Track begins to play.</p> <p data-bbox="779 764 1864 829">Fig. 86 – After selecting “Shuffle,” all of the tracks from the Album have been added to the queue. The first of the randomized tracks from the album begins to play.</p>

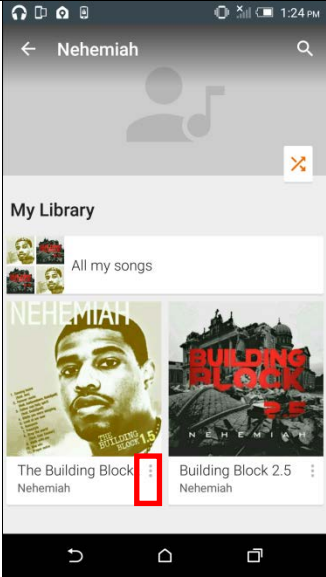
'433 Claims	HTC One M9
	 <p>The screenshot shows a music application interface on an HTC One M9. The top bar is orange and labeled 'Alternative Rock'. Below it, a section titled 'All my songs' displays a list of tracks. The first track is 'Dead Air' by Blondie, with its album cover visible. The second track is 'Merge Records Su...' by Various artists, also with its album cover. Below these, there is a 'Now Playing' bar showing 'The Best Ever Death Metal B...' with a red box highlighting the track name. The bottom of the screen shows the Android navigation bar with back, home, and recent apps icons.</p> <p>Fig. 87 – All of the tracks from the album have been added to the queue. This can be seen by first selecting the now playing bar.</p>

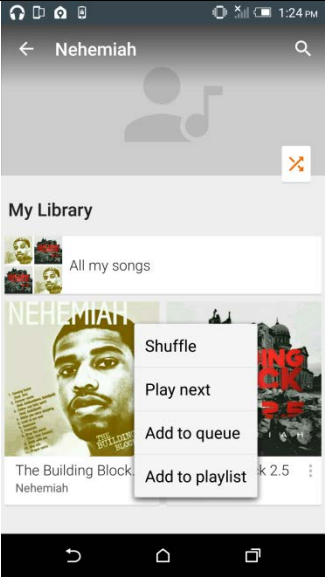
'433 Claims	HTC One M9
	 <p>The screenshot shows a music player interface on an HTC One M9. At the top, the text "HTC One M9" is displayed. Below it, the song title "eath Metal Band in Denton" and the artist "The Mountain Goats" are visible. A red box highlights a playlist icon (three horizontal lines) located next to three vertical dots in the top right corner of the music player. The main display area shows the album art for "MERGE Records" with a red underline. At the bottom, there is a playback control bar with a pause button in the center, and a navigation bar with back, home, and recent apps icons.</p>
<p>Fig. 88 – The queue can then be viewed by selecting the playlist icon from the top right corner next to the three vertical dots.</p>	

'433 Claims	HTC One M9
	 <p data-bbox="762 743 1881 808">Fig. 89 – The queue shows that all of the tracks from the album have been added to the queue, and when the currently playing track ends, the next track in the queue from the album will play.</p>
27. The method of selecting a track as recited in claim 1 wherein:	The HTC One M9 is operable to perform the method of selecting a track as recited in claim 1. See discussion for claim 1.
(a) the category artist is selected in the first display screen from available categories that include at least artist, album, and genre;	The HTC One M9 is operable to perform the method of claim 1 wherein the category artist is selected in the first display screen from available categories that include at least artist, album, and genre. See discussion for claim 1.

'433 Claims	HTC One M9
	 <p data-bbox="751 764 1875 829">Fig. 90 – The first display screen displays categories, including “Genres,” “Albums,” “Artists,” and “Songs.” In this example, “Artists” is selected.</p>
<p data-bbox="163 857 667 987">(b) the subcategories listed in the second display screen comprise a listing of artist names, and one of the listed artist names is selected;</p>	<p data-bbox="751 857 1881 954">The HTC One M9 is operable to perform the method of claim 1 wherein the subcategories listed in the second display screen comprise a listing of artist names and one of the artist names is selected.</p> <p data-bbox="751 979 1066 1011">See discussion for claim 1.</p> <p data-bbox="751 1036 1892 1230">The pre-installed Play Music application on the HTC One M9 displays the corresponding subcategories in a second display screen when a user selects one of the categories in the first display screen. For example, if the user selects the “Artists” category in the first display screen, the Music application displays a second display screen containing artist names. The pre-installed Play Music application on the HTC One M9 then allows a user to select a subcategory in the second display screen, such as “Nehemiah.”</p>

'433 Claims	HTC One M9
	 <p data-bbox="751 764 1858 829">Fig. 91 – After selecting “Artists,” the second display screen displays artist names associated with tracks stored on the device. In this example, the artist name “Nehemiah” is selected.</p>
<p data-bbox="165 862 709 987">(c) the items displayed in the third display screen comprise a listing of album names associated with the selected artist name, and one of the listed album names is selected; and</p>	<p data-bbox="758 862 1871 954">The HTC One M9 is operable to perform the method of claim 1 wherein the items listed in the third display screen comprise a listing of album names associated with the selected artist name and one of the album names is selected.</p> <p data-bbox="758 980 1077 1008">See discussion for claim 1.</p> <p data-bbox="758 1036 1892 1268">The pre-installed Play Music application on the HTC One M9 displays the corresponding items in a third display screen when a user selects one of the subcategories in the second display screen. For example, if a user selects the artist name “Nehemiah” in the second display screen, the Music application displays a third display screen containing the album names stored on the HTC One M9 associated with the selected artist name. The pre-installed Play Music application on the HTC One M9 then allows a user to select an item in the third display screen, such as the album name “The Building Block 1.5.”</p>

'433 Claims	HTC One M9
	 <p data-bbox="751 764 1892 862">Fig. 92 – After selecting “Nehemiah,” the third display screen displays album names associated with the selected artist name “Nehemiah.” In this example, the album name “The Building Block 1.5” is selected by tapping on the three vertical dots on the bottom right corner of the album.</p>
<p data-bbox="163 894 716 987">(d) the accessing at least one track comprises adding a plurality of tracks associated with the selected album name to a playlist.</p>	<p data-bbox="751 894 1850 987">The HTC One M9 is operable to perform the method of claim 1 wherein the accessing at least one track comprises adding a plurality of tracks associated with the selected album name to a playlist.</p> <p data-bbox="751 1016 1073 1040">See discussion for claim 1.</p> <p data-bbox="751 1070 1885 1230">The pre-installed Play Music application on the HTC One M9 is allows a user to select an album name from the third screen and add a plurality of tracks associated with the album name to a playlist. For example, when the user selects the album “The Building Block 1.5” by tapping on the three vertical dots on the bottom right corner of the album and selects “Shuffle,” all of the tracks associated with the selected album name are added to the queue.</p>

'433 Claims	HTC One M9
	 <p>The screenshot shows a music application interface on an HTC One M9. At the top, the artist name 'Nehemiah' is displayed. Below it, the 'My Library' section is visible. The album 'The Building Block 1.5' by Nehemiah is highlighted, and a context menu is open over it. The menu options are: 'Shuffle', 'Play next', 'Add to queue', and 'Add to playlist'. The album cover art features a portrait of a man and the text 'NEHEMIAH' and 'THE BUILDING BLOCK 1.5'. The time '1:24 PM' is shown in the top right corner of the screen.</p> <p>Fig. 93 – After tapping the three vertical dots on the bottom right corner of the album “The Building Block 1.5,” the user is presented with multiple options including “Shuffle.”</p>

'433 Claims

HTC One M9

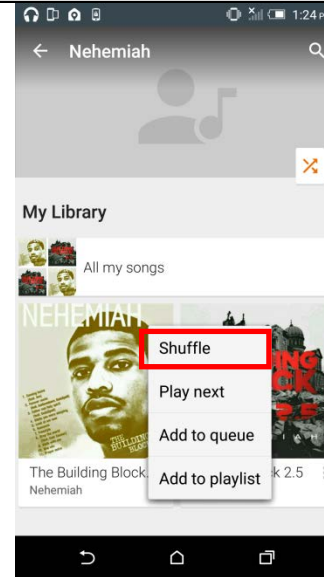
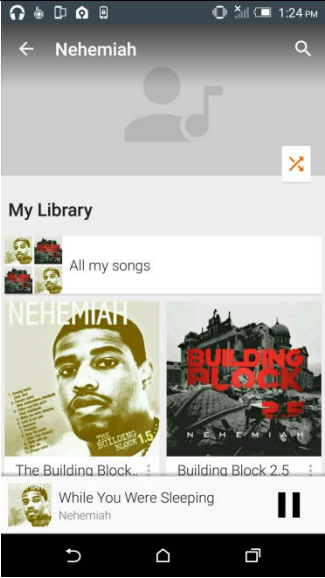


Fig. 94 – “Shuffle” is selected.

'433 Claims	HTC One M9
	 <p data-bbox="1646 347 1892 513">Track begins to play.</p> <p data-bbox="779 764 1835 829">Fig. 95 – All of the tracks from the Album have been added to the queue. The first of the randomized tracks from the album begins to play.</p>

'433 Claims

HTC One M9

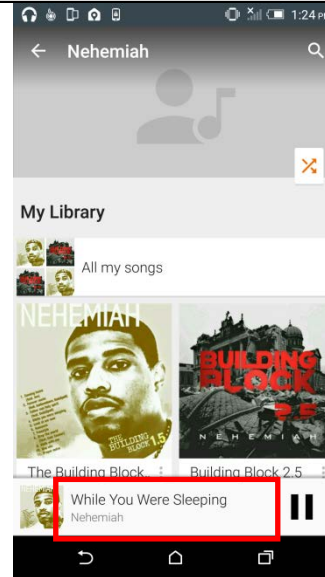

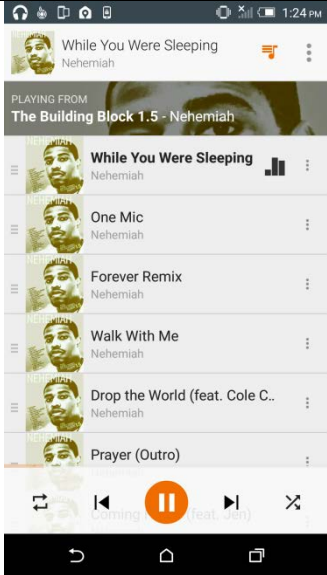
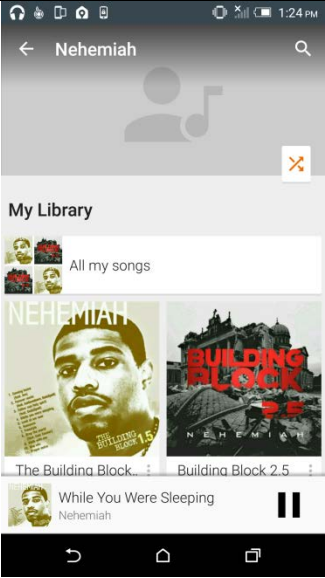
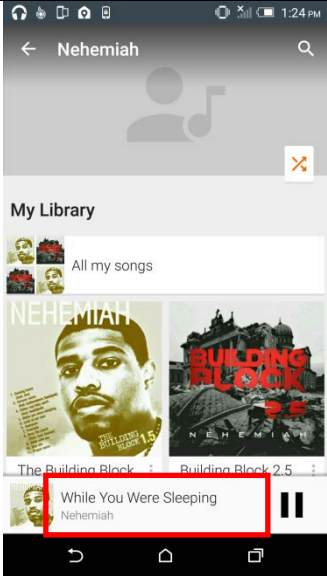


Fig. 96 – All of the tracks from the album have been added to the queue. This can be seen by first selecting the now playing bar.

'433 Claims	HTC One M9
	 <p data-bbox="760 764 1885 828">Fig. 97 – The queue can then be viewed by selecting the playlist icon from the top right corner next to the three vertical dots.</p>

'433 Claims	HTC One M9
	 <p data-bbox="762 743 1885 812">Fig. 98 – The queue shows that all of the tracks from the album have been added to the queue, and when the currently playing track ends, the next track in the queue from the album will play.</p>
<p data-bbox="174 836 716 971">28. The method of selecting a track as recited in claim 27 wherein the playlist is an active queue list of songs that is currently being played.</p>	<p data-bbox="762 836 1875 904">The HTC One M9 is operable to perform the method of selecting a track as recited in claim 27 wherein the playlist is an active queue list of songs that is currently being played.</p> <p data-bbox="762 922 1098 958">See discussion for claim 27.</p>

'433 Claims	HTC One M9
	 <p data-bbox="1646 347 1892 513">Track begins to play.</p> <p data-bbox="779 764 1835 829">Fig. 99 – All of the tracks from the Album have been added to the queue. The first of the randomized tracks from the album begins to play.</p>

'433 Claims	HTC One M9
	 <p data-bbox="758 743 1885 813">Fig. 100 – All of the tracks from the album have been added to the queue. This can be seen by first selecting the now playing bar.</p>


'433 Claims	HTC One M9
	 <p>The screenshot shows a music player interface on an HTC One M9. At the top, the status bar displays the time as 1:24 PM. Below the status bar, the song title "While You Were Sleeping" by Nehemiah is shown. A red box highlights a playlist icon (three horizontal lines) in the top right corner of the player. The main display area features a large image of a man's face. At the bottom, there is a playback control bar with buttons for shuffle, previous, play/pause, next, and repeat. The play/pause button is currently active and highlighted in orange.</p>

Fig. 101 – The queue can then be viewed by selecting the playlist icon from the top right corner next to the three vertical dots.

'433 Claims

HTC One M9

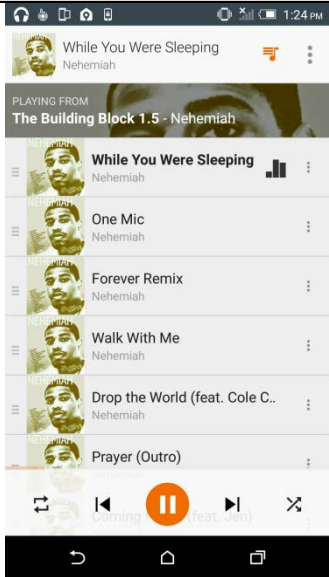


Fig. 102 – The queue shows that all of the tracks from the album have been added to the queue, and when the currently playing track ends, the next track in the queue from the album will play.

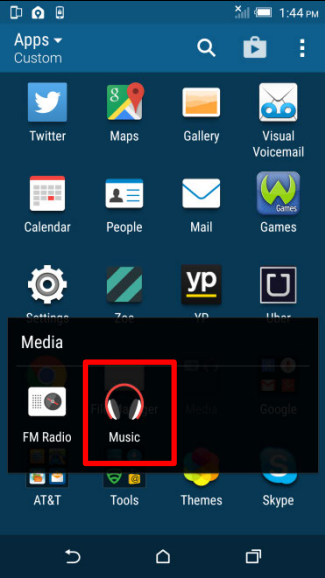
EXHIBIT 9B

EXHIBIT 9B

CLAIM CHART DEMONSTRATING HTC'S PRACTICE OF U.S. PATENT NO. 6,928,433

The HTC One M9 is imported and sold with the Android operating system and the HTC "Music" application (version 7.0.49336) pre-installed. All of the accused HTC devices that are imported and sold with the Android operating system and the HTC "Music" application pre-installed infringe the claims of U.S. Patent No. 6,928,433 set forth below.

'433 Claims	HTC One M9
<p>1. A method of selecting at least one track from a plurality of tracks stored in a computer-readable medium of a portable media player configured to present sequentially a first, second, and third display screen on the display of the media player, the plurality of tracks accessed according to a hierarchy, the hierarchy having a plurality of categories, subcategories, and items respectively in a first, second, and third level of the hierarchy, the method comprising:</p>	<p>[NOT ASSERTED – CHARTED FOR PURPOSES OF DEPENDENT CLAIMS]</p> <p>To the extent that the preamble is construed to be a limitation to the claim, the HTC One M9 is operable to perform a method of selecting at least one track from a plurality of tracks stored in a computer-readable medium of a portable media player configured to present sequentially a first, second, and third display screen on the display of the media player, the plurality of tracks accessed according to a hierarchy, the hierarchy having a plurality of categories, subcategories, and items respectively in a first, second, and third level of the hierarchy.</p> <p>The HTC One M9 is imported and sold with a "Music" application pre-installed, which is operable to access the plurality of tracks according to a hierarchy. The HTC One M9 is configured to present sequentially a first display screen (showing categories such as "Albums" and "Artists"); a second display screen (depending on the selected category, showing a listing of subcategories such as albums, artists, or genres represented in the music tracks stored on the HTC One M9); and a third display screen (showing a listing of tracks corresponding to the selection made on the second display screen).</p> <p>The following three screenshots demonstrate a navigation through a first, second, and third display screens respectively.</p>

'433 Claims	HTC One M9
	 <p data-bbox="779 764 1801 800">Fig. 1 – Selecting the Music icon launches the preinstalled “Music” application.</p>

'433 Claims

HTC One M9

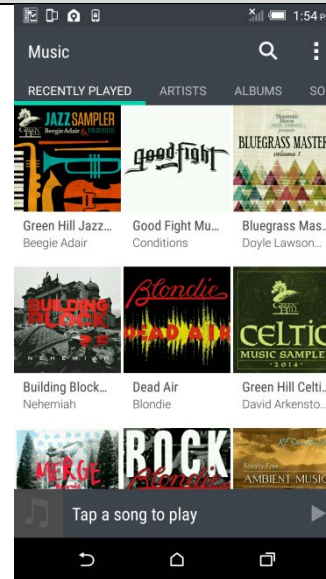


Fig. 2 – The first display screen displays categories, including “Albums,” “Artists,” and “Songs.”

'433 Claims

HTC One M9

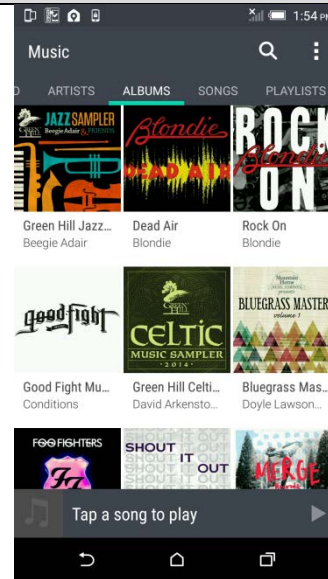
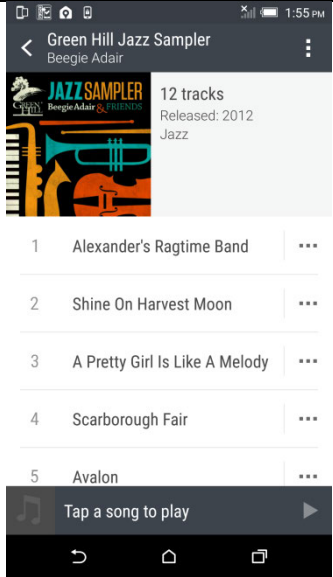
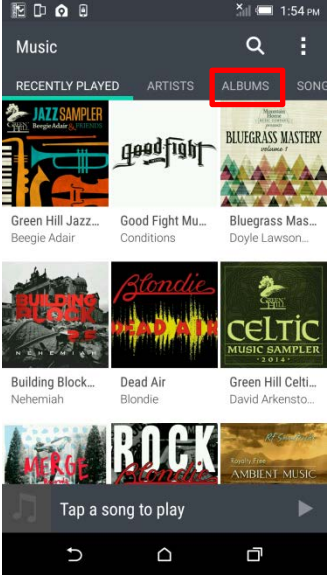
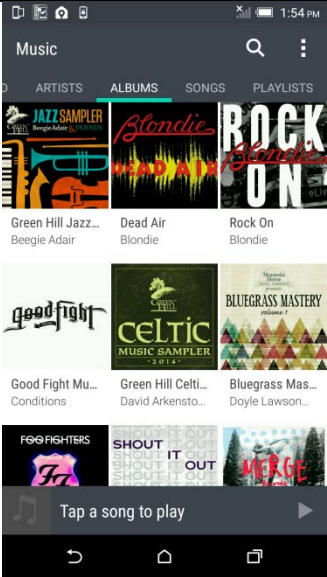
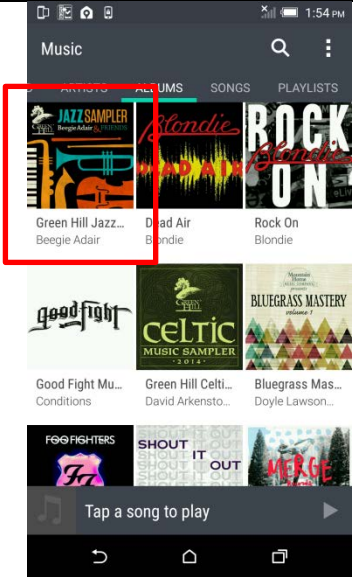


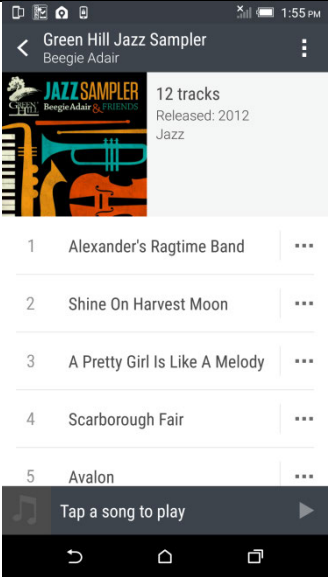
Fig. 3 – After selecting “Albums,” the second display screen displays albums stored on the device.

'433 Claims	HTC One M9
	 <p data-bbox="762 768 1871 833">Fig. 4 – After selecting an album, the third display screen displays tracks stored on the device associated with the selected album.</p>
(a) selecting a category in the first display screen of the portable media player;	<p data-bbox="762 865 1837 930">The HTC One M9 is operable to perform the step of selecting a category in the first display screen of the portable media player.</p> <p data-bbox="762 963 1879 1060">The pre-installed Music application on the HTC One M9 allows a user to select a category in the first display screen. The category options include “Albums,” “Artists,” and “Songs.”</p>

'433 Claims	HTC One M9
	 <p data-bbox="751 768 1518 800">Fig. 5 – In this example, the category “Albums” is selected.</p>
<p data-bbox="170 829 716 935">(b) displaying the subcategories belonging to the selected category in a listing presented in the second display screen;</p>	<p data-bbox="758 829 1843 898">The HTC One M9 is operable to perform the step of displaying the subcategories belonging to the selected category in a listing presented in the second display screen.</p> <p data-bbox="758 922 1885 1101">The pre-installed Music application on the HTC One M9 displays the corresponding subcategories in a second display screen when a user selects one of the categories in the first display screen. For example, if the user selects the “Albums” category in the first display screen, the Music application displays a second display screen containing album names.</p>

'433 Claims	HTC One M9
	 <p data-bbox="751 768 1871 833">Fig. 6 – After selecting “Albums,” the second display screen displays albums stored on the device.</p>
(c) selecting a subcategory in the second display screen;	<p data-bbox="751 865 1812 930">The HTC One M9 is operable to perform the step of selecting a subcategory in the second display screen.</p> <p data-bbox="751 963 1885 1101">The pre-installed Music application on the HTC One M9 allows a user to select a subcategory in the second display screen. For example, if the user selects the “Albums” category in the first display screen, the user can select an album from the albums displayed on the second display screen.</p>

'433 Claims	HTC One M9
	 <p>The screenshot shows the Music application interface on an HTC One M9. At the top, there are navigation tabs for 'ARTISTS', 'ALBUMS', 'SONGS', and 'PLAYLISTS'. Below these, a grid of album covers is displayed. The first album in the top row is 'Green Hill Jazz Sampler' by Beegie Adair, which is enclosed in a red rectangular box. Other visible albums include 'Dead Air' by Blondie, 'Rock On' by Blondie, 'Good Fight Music' by Conditions, 'Celtic Music Sampler 2014' by David Arkenstone, 'Bluegrass Mastery Volume 7' by Doyle Lawson, 'Fozzy' by Fozzy, 'Shout It Out Loud' by Shout It Out Loud, and 'Merge' by Merge.</p> <p>Fig. 7 – In this example, the album “Green Hill Jazz Sampler” is selected from this list of albums.</p>
<p>(d) displaying the items belonging to the selected subcategory in a listing presented in the third display screen; and</p>	<p>The HTC One M9 is operable to perform the step of displaying the items belonging to the selected subcategory in a listing presented in the third display screen.</p> <p>The pre-installed Music application on the HTC One M9 displays the corresponding items in a third display screen when a user selects one of the subcategories in the second display screen. For example, if a user selects the “Green Hill Jazz Sampler” album in the second display screen, the Music application displays a third display screen containing the music tracks stored on the HTC One M9 belonging to the selected album.</p>

'433 Claims	HTC One M9
	 <p data-bbox="747 768 1860 833">Fig. 8 – After selecting an album, the third display screen displays tracks on the device associated with the selected album.</p>
<p data-bbox="159 865 699 971">(e) accessing at least one track based on a selection made in one of the display screens.</p>	<p data-bbox="747 865 1856 938">The HTC One M9 is operable to perform the step of accessing at least one track based on a selection made in one of the display screens.</p> <p data-bbox="747 959 1892 1101">The pre-installed Music application on the HTC One M9 will access a track, for example playing a track based on a selection made in one of the display screens. For example, when the user selects the track “Shine On Harvest Moon” on the third display screen, the “Shine On Harvest Moon” track begins playing.</p>

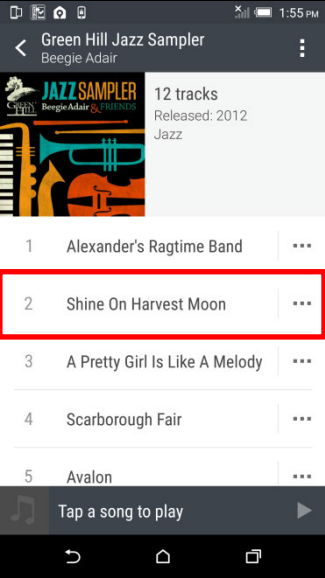
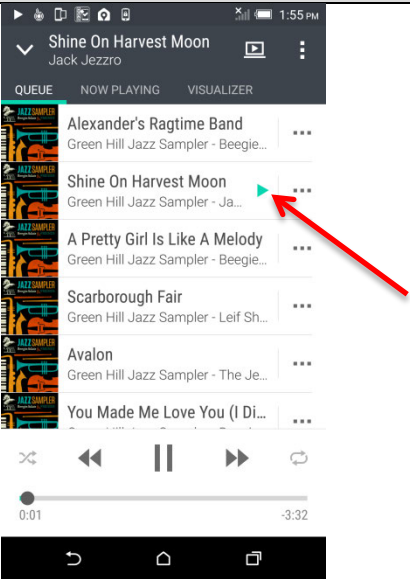
'433 Claims	HTC One M9
	 <p>The screenshot shows a music player interface on an HTC One M9. At the top, it displays 'Green Hill Jazz Sampler' by Beegie Adair. Below this, there is a track list with five items: 1. Alexander's Ragtime Band, 2. Shine On Harvest Moon (highlighted with a red box), 3. A Pretty Girl Is Like A Melody, 4. Scarborough Fair, and 5. Avalon. A 'Tap a song to play' button is visible at the bottom of the track list. The status bar at the top right shows the time as 1:55 PM.</p>

Fig. 9 – Selecting the “Shine On Harvest Moon” track results in playing the selected track.

'433 Claims	HTC One M9
	 <p data-bbox="1598 461 1843 623">Triangle indicates track is playing.</p> <p data-bbox="751 768 1724 800">Fig. 10 – Once selected, the track “Shine On Harvest Moon” begins playing.</p>
<p data-bbox="163 833 709 1044">2. The method of selecting a track as recited in claim 1 wherein the accessing at least one track comprises selecting a subcategory in the second display screen and playing a plurality of tracks associated with the selected category.</p>	<p data-bbox="751 833 1829 935">The HTC One M9 is operable to perform the step of accessing at least one track by selecting a subcategory in the second display screen and playing a plurality of tracks associated with the selected category.</p> <p data-bbox="751 963 1885 1211">After selecting a subcategory from the second screen, the pre-installed Music application on the HTC One M9 is operable to play a plurality of tracks associated with the selected category. For example, the HTC One M9 allows a user to tap and hold on an album to select that album. The HTC One M9 allows a user to then tap the “Play” button to add the tracks of that album to the active queue list of songs that is currently being played. The tracks on the active queue list of songs that is currently being played will play sequentially.</p> <p data-bbox="751 1239 1094 1271">See discussion for claim 1.</p>

'433 Claims

HTC One M9

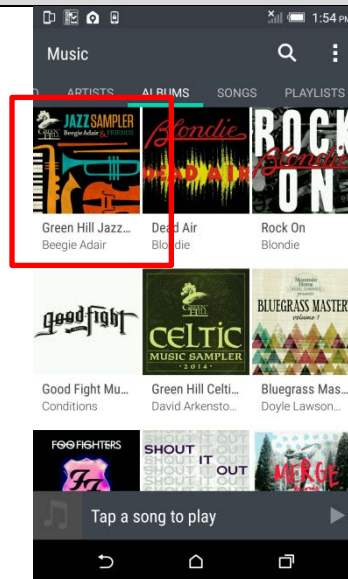


Fig. 11 – On the second display screen, holding down on an album presents the user with several options including “Play.” Here, the “Green Hill Jazz Sampler” album is selected.

'433 Claims

HTC One M9

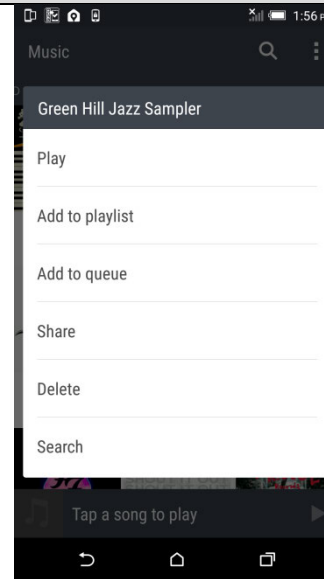


Fig. 12 – After holding down on the album “Green Hill Jazz Sampler,” the user is presented with multiple options.

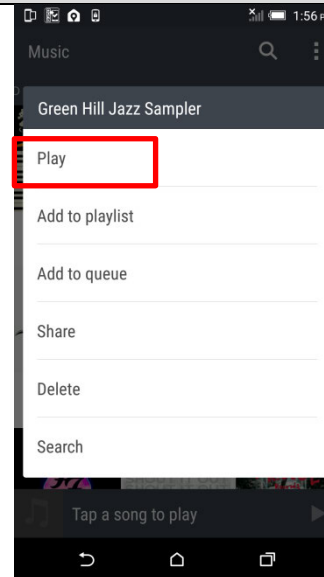
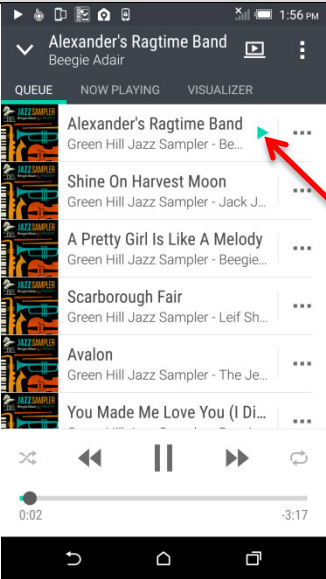


Fig. 13 – “Play” is selected.

'433 Claims	HTC One M9
	 <p data-bbox="1562 444 1808 610">Triangle indicates track is playing.</p> <p data-bbox="751 769 1881 873">Fig. 14 – The Queue screen is then displayed, including all of the tracks from the album. The first song begins to play. When the first track from the selected album ends, the second track begins to play.</p>
<p data-bbox="163 906 716 1117">3. The method of selecting a track as recited in claim 1 wherein the accessing at least one track comprises selecting a subcategory and adding the tracks associated with the selected subcategory to a playlist.</p>	<p data-bbox="751 906 1887 1010">The HTC One M9 is operable to perform the step of accessing at least one track by selecting a subcategory and adding the tracks associated with the selected subcategory to a playlist.</p> <p data-bbox="751 1036 1892 1214">After selecting a subcategory from the second screen, the pre-installed Music application on the HTC One M9 is operable to add a plurality of tracks associated with the selected category to a playlist. For example, the HTC One M9 allows a user to tap and hold on an album to select that album. The HTC One M9 allows a user to then tap the “Play” button to add the tracks of that album to the queue of currently playing music.</p> <p data-bbox="751 1240 1188 1269">See discussion for claims 1 and 2.</p>

'433 Claims

HTC One M9

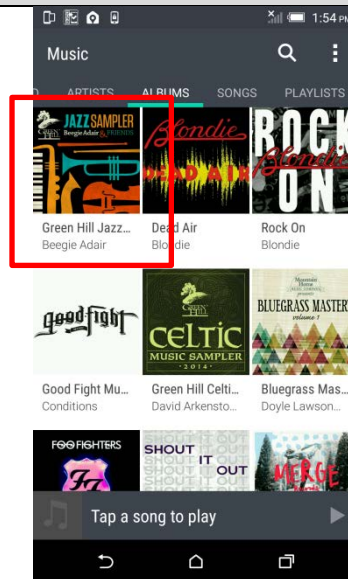


Fig. 15 – On the second display screen, holding down on an album presents the user with several options including “Play.” Here, the “Green Hill Jazz Sampler” album is selected.

'433 Claims

HTC One M9

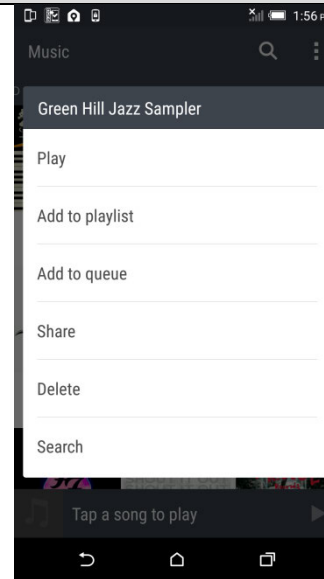


Fig. 16 – After holding down on the album “Green Hill Jazz Sampler,” the user is presented with multiple options.

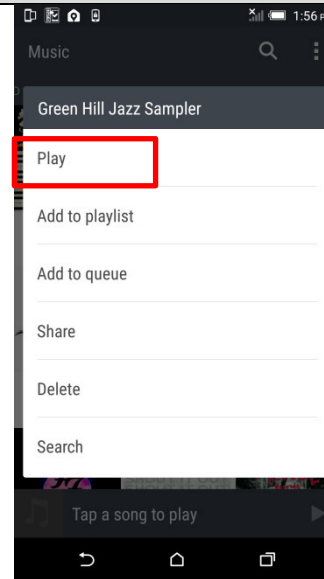
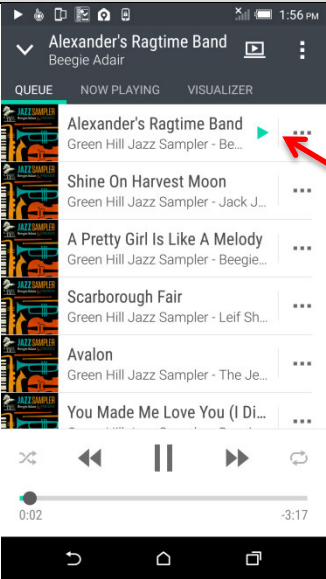
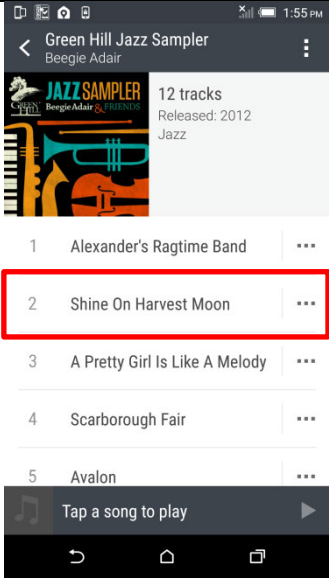
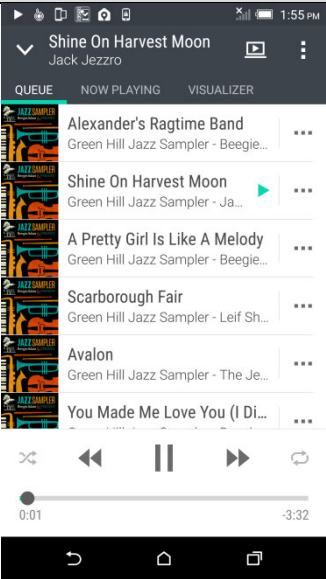


Fig. 17 – “Play” is selected.

'433 Claims	HTC One M9
	 <p data-bbox="1591 402 1839 565">Triangle indicates track is playing.</p> <p data-bbox="751 768 1881 833">Fig. 18 – The Queue screen is then displayed, including all of the tracks from the album. All of the tracks associated with the selected album have been added to the queue.</p>
<p data-bbox="163 865 716 1076">5. The method of selecting a track as recited in claim 1 wherein the accessing at least one track comprises selecting an item in the third display screen and adding at least one track associated with the selected item to a playlist.</p>	<p data-bbox="751 865 1881 971">The HTC One M9 is operable to perform the step of accessing at least one track by selecting an item in the third display screen and adding at least one track associated with the selected item to a playlist.</p> <p data-bbox="751 995 1881 1206">After selecting a subcategory from the second screen, the pre-installed Music application on the HTC One M9 is operable to add a track associated with the selected subcategory to a playlist. For example, the HTC One M9 allows a user to select an album from the second display screen, and then from the third display screen the HTC One M9 allows a user to select a track from that album resulting in all of the tracks from that album being added to the queue.</p> <p data-bbox="751 1239 1098 1271">See discussion for claim 1.</p>

'433 Claims	HTC One M9
	 <p>The screenshot shows a music player interface on an HTC One M9. At the top, it displays 'Green Hill Jazz Sampler' by Beegie Adair. Below this, there is an album cover for 'JAZZ SAMPLER' and the text '12 tracks Released: 2012 Jazz'. A list of tracks follows: 1. Alexander's Ragtime Band, 2. Shine On Harvest Moon (highlighted with a red box), 3. A Pretty Girl Is Like A Melody, 4. Scarborough Fair, and 5. Avalon. At the bottom, there is a 'Tap a song to play' button and a navigation bar with back, home, and recent apps icons.</p>
	<p>Fig. 19 – Selecting the “Shine On Harvest Moon” track on the third display screen results in adding all of the tracks from the album to the queue.</p>

'433 Claims	HTC One M9
	 <p>Fig. 20 – This can be seen because the queue is then automatically displayed with “Shine On Harvest Moon” playing and all of the tracks from the album have been added to the queue.</p>
<p>7. The method of selecting a track as recited in claim 1 wherein the accessing at least one track is made after the presentation of the third display screen by reverting back to one of the second and first display screens, the second display screen presented sequentially after the third display screen.</p>	<p>The HTC One M9 is operable to perform the step of accessing at least one track after the presentation of the third display screen by reverting back to one of the second and first display screens, the second display screen presented sequentially after the third display screen.</p> <p>See discussion for claim 1.</p> <p>The HTC One M9 allows a user to, instead of (or in addition to) selecting a track on the third display screen, select the back arrow at the top left of the third display screen. The HTC One M9 then displays the second display screen again. From the second display screen, the HTC One M9 allows a user to tap and hold down on one of the albums. The HTC One M9 then allows a user to select “Play” to add the album to the queue.</p>

'433 Claims

HTC One M9

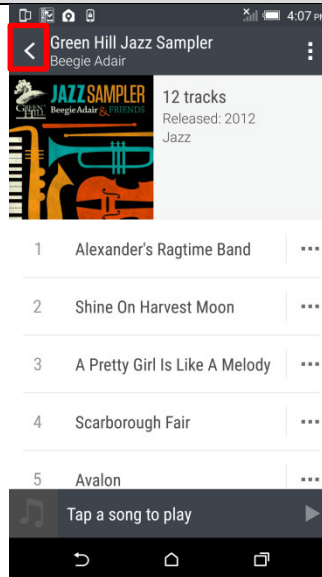


Fig. 21 – On the third display screen, the arrow in the top left of the screen is selected.

'433 Claims

HTC One M9

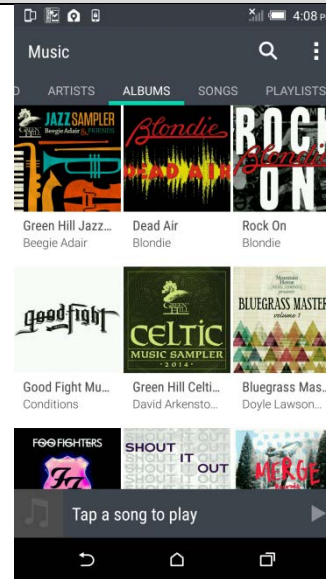


Fig. 22 – The second display screen is then displayed again.

'433 Claims

HTC One M9

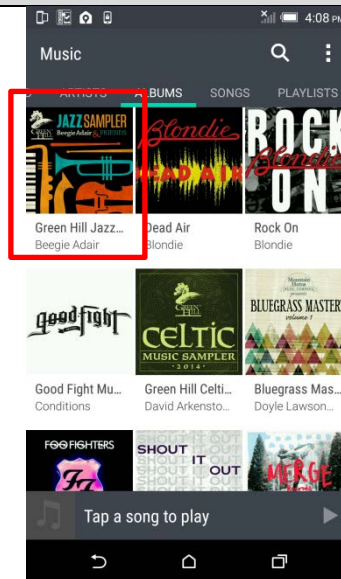


Fig. 23 – On the second display screen, holding down on an album presents the user with several options including “Play.” Here, the “Green Hill Jazz Sampler” album is selected.

'433 Claims

HTC One M9

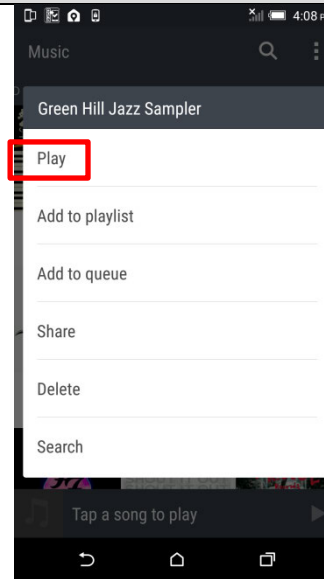
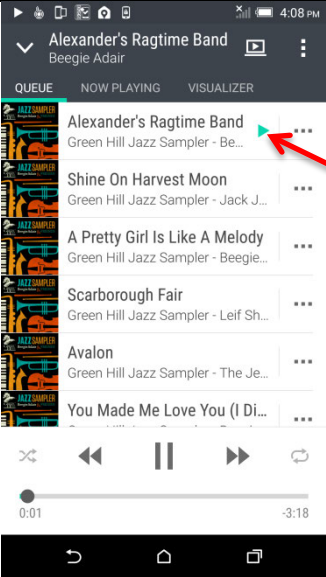
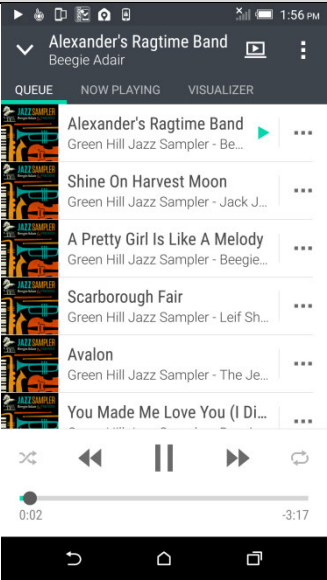
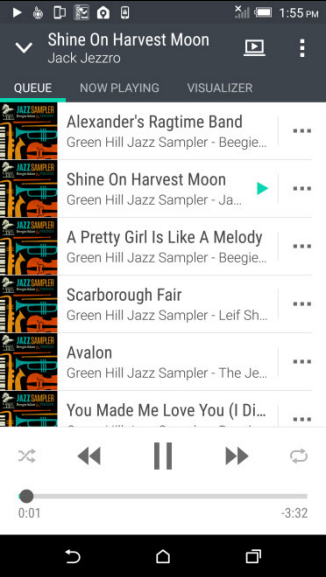


Fig. 24 – After holding down on the album “Green Hill Jazz Sampler,” the user is presented with multiple options. “Play” is selected.

'433 Claims	HTC One M9
	 <p data-bbox="1570 394 1812 558">Triangle indicates track is playing.</p> <p data-bbox="751 768 1881 873">Fig. 25 – The Queue screen is then displayed, including all of the tracks from the album. All of the tracks associated with the selected album have been added to the queue. The first song begins to play.</p>
<p data-bbox="163 906 716 1044">17. The method of selecting a track as recited in claim 3 wherein the playlist is an active queue list of songs that is currently being played.</p>	<p data-bbox="751 906 1843 1011">The HTC One M9 is operable to perform the method of selecting a track as recited in claim 3 wherein the playlist is an active queue list of songs that is currently being played.</p> <p data-bbox="751 1036 1098 1068">See discussion for claim 3.</p>

'433 Claims	HTC One M9
	 <p>The screenshot shows a music player interface on an HTC One M9. At the top, the album name 'Alexander's Ragtime Band' by Beegie Adair is displayed. Below this, a 'QUEUE' tab is active, showing a list of tracks: 'Alexander's Ragtime Band', 'Shine On Harvest Moon', 'A Pretty Girl Is Like A Melody', 'Scarborough Fair', 'Avalon', and 'You Made Me Love You (I Di...'. Each track has a play button and a three-dot menu icon. At the bottom, there are playback controls including a play/pause button, a progress bar showing 0:02 of a 3:17 track, and a repeat button. The Android navigation bar is visible at the very bottom.</p> <p>Fig. 26 – The tracks from the selected album have been added to the active queue list of songs that is currently being played.</p>
<p>18. The method of selecting a track as recited in claim 5 wherein the playlist is an active queue list of songs that is currently being played.</p>	<p>The HTC One M9 is operable to perform the method of selecting a track as recited in claim 5 wherein the playlist is an active queue list of songs that is currently being played.</p> <p>See discussion for claim 5.</p>

'433 Claims	HTC One M9
	 <p>The screenshot shows a music player interface on an HTC One M9. At the top, the current track is "Shine On Harvest Moon" by Jack Jezzro. Below this, there are three tabs: "QUEUE", "NOW PLAYING", and "VISUALIZER". The "QUEUE" tab is active, displaying a list of tracks from the "Green Hill Jazz Sampler" album. The tracks listed are: "Alexander's Ragtime Band", "Shine On Harvest Moon", "A Pretty Girl Is Like A Melody", "Scarborough Fair", "Avalon", and "You Made Me Love You (I Di...". Each track has a play button and a three-dot menu icon. At the bottom of the screen, there are playback controls including a shuffle button, previous/next buttons, a play/pause button, a repeat button, and a progress slider showing 0:01 out of 3:32. The bottom navigation bar shows back, home, and recent apps icons.</p> <p>Fig. 27 – All of the tracks associated with the “Green Hill Jazz Sampler” album have been added to the active queue list of songs that is currently being played.</p>
<p>19. The method of selecting a track as recited in claim 5 wherein the selected item in the third display screen is associated with a plurality of tracks, and wherein the accessing at least one track comprises adding the plurality of tracks associated with the selected item to a playlist.</p>	<p>The HTC One M9 is operable to perform the method of selecting a track as recited in claim 5 wherein the selected item in the third display screen is associated with a plurality of tracks, and wherein the accessing at least one track comprises adding the plurality of tracks associated with the selected item to a playlist.</p> <p>See claim 5.</p>

'433 Claims

HTC One M9

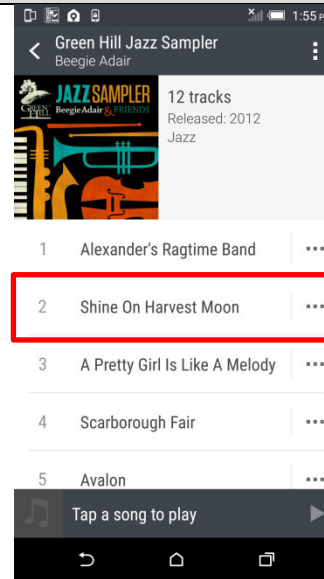
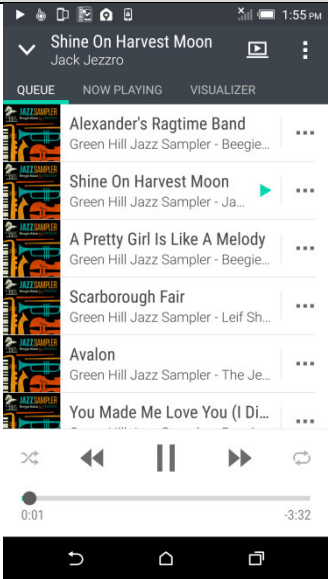
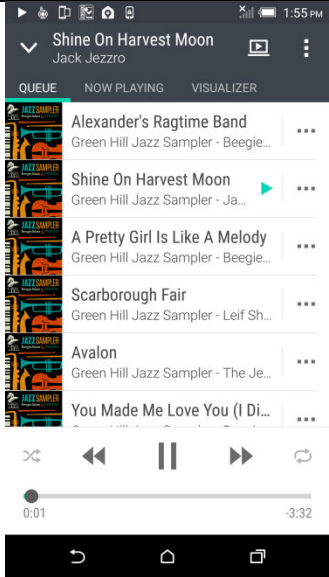


Fig. 28 – Selecting the “Shine On Harvest Moon” track on the third display screen results in adding all of the tracks associated with the same album from the third display screen to the queue.

'433 Claims	HTC One M9
	 <p data-bbox="747 764 1892 873">Fig. 29 – This can be seen because the queue is then automatically displayed with “Shine On Harvest Moon” playing and all of the tracks from the album have been added to the queue.</p>
<p data-bbox="159 902 695 1044">20. The method of selecting a track as recited in claim 19 wherein the playlist is an active queue list of songs that is currently being played.</p>	<p data-bbox="747 902 1843 1011">The HTC One M9 is operable to perform the method of selecting a track as recited in claim 19 wherein the playlist is an active queue list of songs that is currently being played.</p> <p data-bbox="747 1032 1115 1065">See discussion for claim 19.</p>

'433 Claims	HTC One M9
	 <p data-bbox="779 768 1864 836">Fig. 30 – All of the tracks associated with the “Green Hill Jazz Sampler” album have been added to the active queue list of songs that is currently being played.</p>
<p data-bbox="191 867 747 1117">21. The method of selecting a track as recited in claim 5 where in the selected item in the third display screen is a selected album name, and wherein the accessing at least one track comprises adding the plurality of tracks associated with the selected album name to a playlist.</p>	<p data-bbox="779 867 1409 898">Not currently asserted against HTC “Music” app.</p>
<p data-bbox="191 1151 720 1289">22. The method of selecting a track as recited in claim 21 wherein the playlist is an active queue list of songs that is currently being played.</p>	<p data-bbox="779 1151 1409 1182">Not currently asserted against HTC “Music” app.</p>

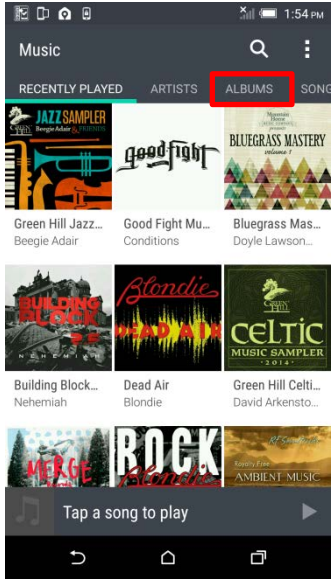
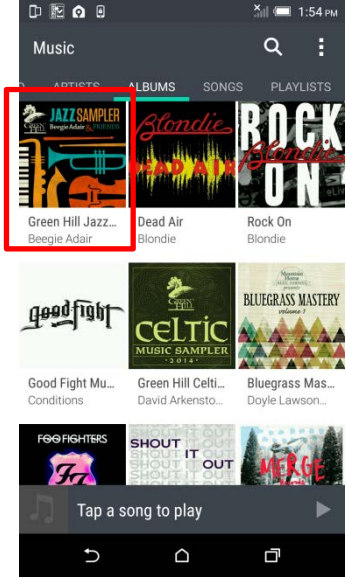
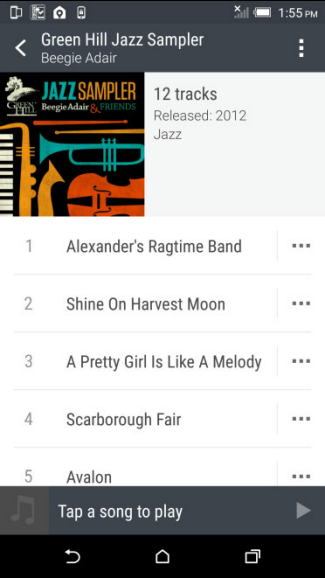
'433 Claims	HTC One M9
23. The method of selecting a track as recited in claim 1 wherein:	<p>The HTC One M9 is operable to perform the method of selecting a track as recited in claim 1.</p> <p>See discussion for claim 1.</p>
<p>(a) the category album is selected in the first display screen from available categories that include at least artist and album;</p>	<p>The HTC One M9 is operable to perform the method of claim 1 wherein the category album is selected in the first display screen from available categories that include at least artist and album.</p> <p>See discussion for claim 1.</p>  <p>The screenshot shows the Music app interface on an HTC One M9. At the top, there are navigation tabs for 'RECENTLY PLAYED', 'ARTISTS', 'ALBUMS', and 'SONGS'. The 'ALBUMS' tab is highlighted with a red box. Below the tabs, there is a grid of album covers. The first row includes 'JAZZ SAMPLER' by Beegie Adair, 'Good Fight Mu...' by Conditions, and 'BLUEGRASS MASTERY' by Doyle Lawson... The second row includes 'BUILDING BLOCK...' by Nehemiah, 'Blondie' by Blondie, and 'Green Hill Celti...' by David Arkensto... The third row includes 'MUSIC' by Ambient Music. At the bottom, there is a 'Tap a song to play' button.</p>
<p>(b) the subcategories listed in the second display screen comprise a listing of album names and one of the album names is</p>	<p>The HTC One M9 is operable to perform the method of claim 1 wherein the subcategories listed in the second display screen comprise a listing of album names and one of the album names is selected.</p>

Fig. 31 – The first display screen displays categories, including “Albums,” “Artists,” and “Songs.” In this example, “Albums” is selected.

'433 Claims	HTC One M9
<p>selected; and</p>	<p>See discussion for claim 1.</p>  <p>Fig. 32 – After selecting “Albums,” the second display screen displays albums stored on the device. In this example, the album “Green Hill Jazz Sampler” is selected.</p>
<p>(c) the accessing at least one track comprises adding a plurality of tracks associated with the selected album name to a playlist.</p>	<p>The HTC One M9 is operable to perform the method of claim 1 wherein the accessing at least one track comprises adding a plurality of tracks associated with the selected album name to a playlist.</p> <p>See discussion for claims 1 and 3.</p>

'433 Claims	HTC One M9
	 <p data-bbox="751 764 1885 834">Fig. 33 – After selecting an album, the third display screen displays tracks on the device associated with the selected album.</p>

'433 Claims

HTC One M9

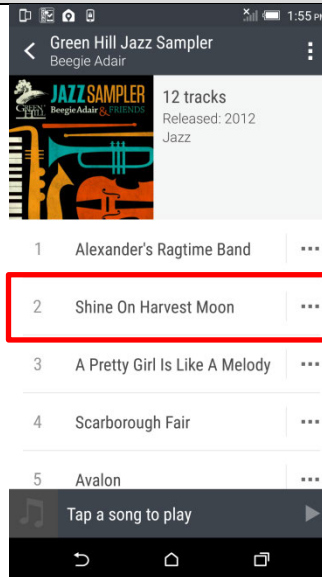
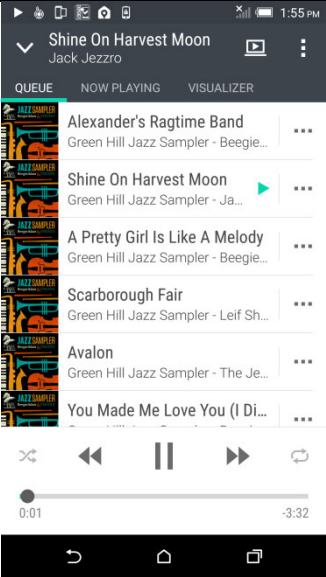


Fig. 34 – Selecting the “Shine On Harvest Moon” track results in playing the selected track and all of the tracks from the third display screen are added to the queue.

'433 Claims	HTC One M9
	 <p data-bbox="751 768 1892 873">Fig. 35 – This can be seen because the queue is then automatically displayed with “Shine On Harvest Moon” playing and all of the tracks from the album have been added to the queue.</p>
<p data-bbox="163 902 695 1044">24. The method of selecting a track as recited in claim 23 wherein the playlist is an active queue list of songs that is currently being played.</p>	<p data-bbox="751 902 1843 1011">The HTC One M9 is operable to perform the method of selecting a track as recited in claim 23 wherein the playlist is an active queue list of songs that is currently being played.</p> <p data-bbox="751 1032 1115 1065">See discussion for claim 23.</p>

'433 Claims

HTC One M9

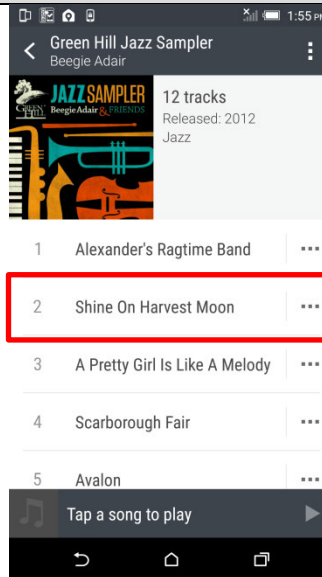
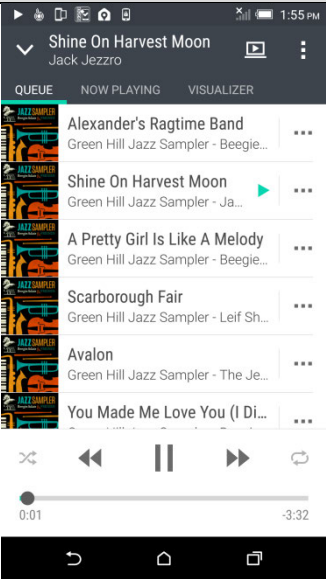


Fig. 36 – Selecting the “Shine On Harvest Moon” track results in playing the selected track and all of the tracks from the third display screen are added to the queue.

'433 Claims	HTC One M9
	 <p data-bbox="751 768 1892 873">Fig. 37 – This can be seen because the queue is then automatically displayed with “Shine On Harvest Moon” playing and all of the tracks from the album have been added to the queue.</p>
25. The method of selecting a track as recited in claim 1 wherein:	Not currently asserted against HTC “Music” app.
(a) the category genre is selected in the first display screen from available categories that include at least artist, album, and genre;	
(b) the subcategories listed in the second display screen comprise a listing of a plurality of genre types, and one of one genre types is selected;	

'433 Claims	HTC One M9
(c) the items displayed in the third display screen comprise a listing of a plurality of album names associated with the selected genre type, and one of the album names is selected; and	
(d) the accessing at least one track comprises adding a plurality of tracks associated with the selected album name to a playlist.	
26. The method of selecting a track as recited in claim 25 wherein the playlist is an active queue list of songs that is currently being played.	Not currently asserted against HTC "Music" app.
27. The method of selecting a track as recited in claim 1 wherein:	Not currently asserted against HTC "Music" app.
(a) the category artist is selected in the first display screen from available categories that include at least artist, album, and genre;	
(b) the subcategories listed in the second display screen comprise a listing of artist names, and one of the listed artist names is selected;	
(c) the items displayed in the third display screen comprise a listing of album names associated with the selected artist name, and one of the listed album names is	

'433 Claims	HTC One M9
selected; and	
(d) the accessing at least one track comprises adding a plurality of tracks associated with the selected album name to a playlist.	
28. The method of selecting a track as recited in claim 27 wherein the playlist is an active queue list of songs that is currently being played.	Not currently asserted against HTC "Music" app.

EXHIBIT 10

EXHIBIT 10

CLAIM CHART DEMONSTRATING BLACKBERRY’S PRACTICE OF U.S. PATENT NO. 6,928,433

The Blackberry Priv is imported and sold with the Android operating system and the Google Play Music application (Version 6.0.1945S.2039625) pre-installed. All of the accused Blackberry devices that are imported and sold with the Android operating system and the Google Play Music application pre-installed infringe the claims of U.S. Patent No. 6,928,433 set forth below.

’433 Claims	Blackberry Priv
<p>1. A method of selecting at least one track from a plurality of tracks stored in a computer-readable medium of a portable media player configured to present sequentially a first, second, and third display screen on the display of the media player, the plurality of tracks accessed according to a hierarchy, the hierarchy having a plurality of categories, subcategories, and items respectively in a first, second, and third level of the hierarchy, the method comprising:</p>	<p>[NOT ASSERTED – CHARTED FOR PURPOSES OF DEPENDENT CLAIMS]</p> <p>To the extent that the preamble is construed to be a limitation to the claim, the Blackberry Priv is operable to perform a method of selecting at least one track from a plurality of tracks stored in a computer-readable medium of a portable media player configured to present sequentially a first, second, and third display screen on the display of the media player, the plurality of tracks accessed according to a hierarchy, the hierarchy having a plurality of categories, subcategories, and items respectively in a first, second, and third level of the hierarchy.</p> <p>The Blackberry Priv is imported and sold with the Google Play Music application pre-installed, which is operable to access the plurality of tracks according to a hierarchy. The Blackberry Priv is configured to present sequentially a first display screen (showing categories such as “Albums,” “Artists,” and “Genres”); a second display screen (depending on the selected category, showing a listing of subcategories such as albums, artists, or genres represented in the music tracks stored on the Blackberry Priv); and a third display screen (showing a listing of tracks corresponding to the selection made on the second display screen).</p> <p>The following three screenshots demonstrate a navigation through a first, second, and third display screens respectively.</p>

'433 Claims

Blackberry Priv

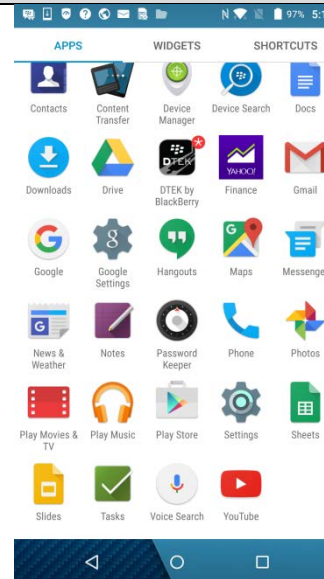
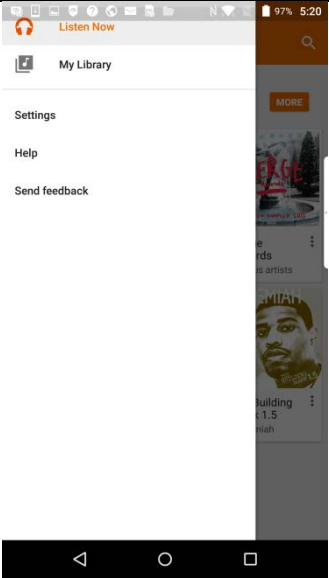
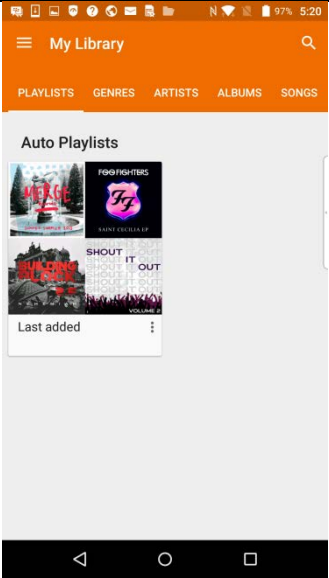


Fig. 1 – Selecting the “Play Music” icon launches the preinstalled “Play Music” application.

'433 Claims	Blackberry Priv
	 <p data-bbox="779 768 1843 837">Fig. 2 – The music app has two modes: “Listen Now” and “My Library.” The “My Library” mode permits a user to navigate through music stored on the device.</p>

'433 Claims	Blackberry Priv
	 <p data-bbox="779 768 1818 834">Fig. 3 – After selecting “My Library,” the first display screen displays categories, including “Albums,” “Artists,” and “Genres.”</p>

'433 Claims

Blackberry Priv

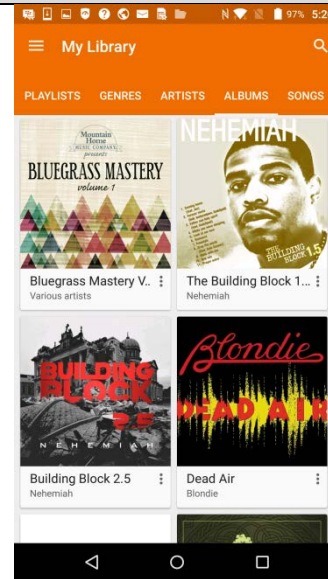

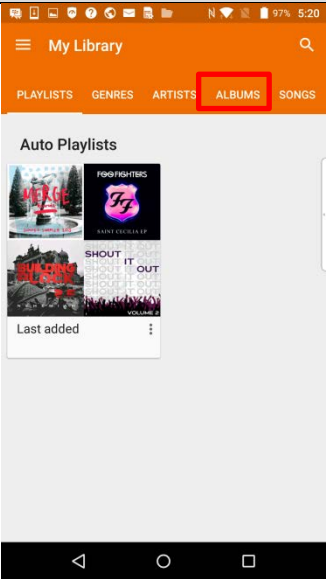
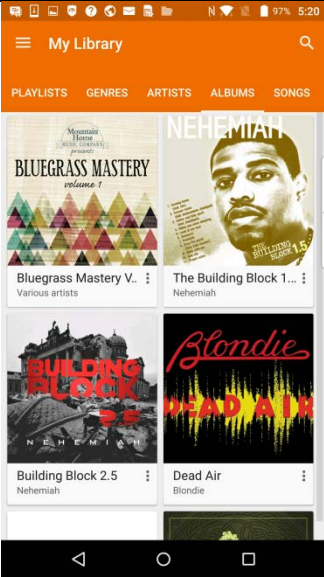
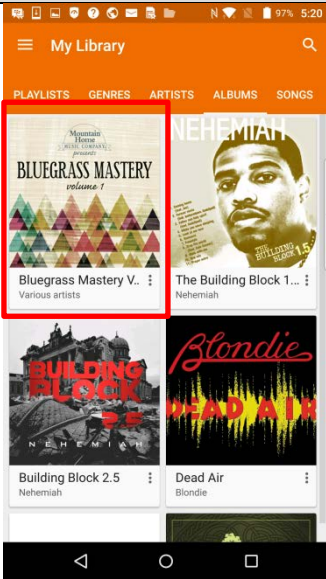


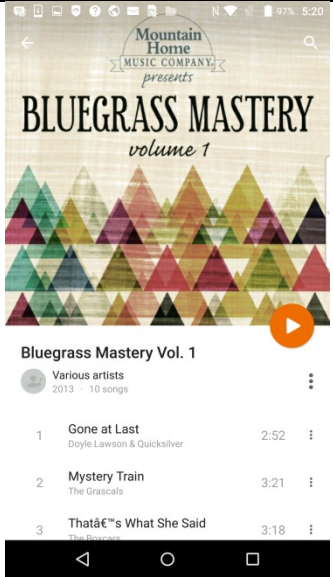
Fig. 4 – After selecting “Albums,” the second display screen displays albums stored on the device.

'433 Claims	Blackberry Priv
	 <p data-bbox="751 768 1858 833">Fig. 5 – After selecting an album, the third display screen displays tracks stored on the device associated with the selected album.</p>
<p data-bbox="170 865 705 930">(a) selecting a category in the first display screen of the portable media player;</p>	<p data-bbox="758 865 1852 930">The Blackberry Priv is operable to perform the step of selecting a category in the first display screen of the portable media player.</p> <p data-bbox="758 959 1885 1060">The pre-installed Play Music application on the Blackberry Priv allows a user to select a category in the first display screen. The category options include “Genres,” “Artists,” “Albums,” and “Songs.”</p>

'433 Claims	Blackberry Priv
	 <p>The screenshot shows the 'My Library' screen of the Play Music application. The navigation bar at the top includes 'PLAYLISTS', 'GENRES', 'ARTISTS', 'ALBUMS', and 'SONGS'. The 'ALBUMS' tab is highlighted with a red box. Below the navigation bar, there is a section titled 'Auto Playlists' displaying several album covers, including 'SHOUT IT OUT' and 'LAST ADDED'.</p>
<p>(b) displaying the subcategories belonging to the selected category in a listing presented in the second display screen;</p>	<p>The Blackberry Priv is operable to perform the step of displaying the subcategories belonging to the selected category in a listing presented in the second display screen.</p> <p>The pre-installed Play Music application on the Blackberry Priv displays the corresponding subcategories in a second display screen when a user selects one of the categories in the first display screen. For example, if the user selects the “Albums” category in the first display screen, the Music application displays a second display screen containing album names.</p>

'433 Claims	Blackberry Priv
	 <p data-bbox="751 768 1871 833">Fig. 7 – After selecting “Albums,” the second display screen displays albums stored on the device.</p>
(c) selecting a subcategory in the second display screen;	<p data-bbox="751 865 1837 930">The Blackberry Priv is operable to perform the step of selecting a subcategory in the second display screen.</p> <p data-bbox="751 963 1885 1101">The pre-installed Play Music application on the Blackberry Priv allows a user to select a subcategory in the second display screen. For example, if the user selected the “Albums” category in the first display screen, a user can select an album from the albums displayed on the second display screen.</p>

'433 Claims	Blackberry Priv
	 <p data-bbox="751 766 1873 831">Fig. 8 – In this example, the album “Bluegrass Mastery Vol. 1” is selected from this list of albums.</p>
<p data-bbox="163 867 705 971">(d) displaying the items belonging to the selected subcategory in a listing presented in the third display screen; and</p>	<p data-bbox="751 867 1881 932">The Blackberry Priv is operable to perform the step of displaying the items belonging to the selected subcategory in a listing presented in the third display screen.</p> <p data-bbox="751 961 1881 1172">The pre-installed Play Music application on the Blackberry Priv displays the corresponding items in a third display screen when a user selects one of the subcategories in the second display screen. For example, if a user selects the “Bluegrass Mastery Vol. 1” album in the second display screen, the Music application displays a third display screen containing the music tracks stored on the Blackberry Priv belonging to the selected album.</p>

'433 Claims	Blackberry Priv
	 <p data-bbox="762 768 1873 833">Fig. 9 – After selecting an album, the third display screen displays tracks on the device associated with the selected album.</p>
<p data-bbox="174 865 714 971">(e) accessing at least one track based on a selection made in one of the display screens.</p>	<p data-bbox="762 865 1894 938">The Blackberry Priv is operable to perform the step of accessing at least one track based on a selection made in one of the display screens.</p> <p data-bbox="762 963 1883 1101">The pre-installed Play Music application on the Blackberry Priv will access a track, for example playing a track based on a selection made in one of the display screens. For example, when the user selects the track “Gone at Last” on the third display screen, the “Gone at Last” track begins playing.</p>

'433 Claims

Blackberry Priv

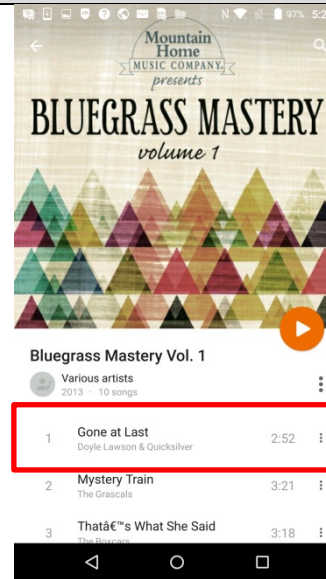



Fig. 10 – Selecting the “Gone at Last” track results in playing the selected track.

'433 Claims	Blackberry Priv
	 <p data-bbox="751 768 1577 800">Fig. 11 – Once selected, the track “Gone at Last” begins playing.</p>
<p data-bbox="163 833 716 1044">2. The method of selecting a track as recited in claim 1 wherein the accessing at least one track comprises selecting a subcategory in the second display screen and playing a plurality of tracks associated with the selected category.</p>	<p data-bbox="751 833 1839 930">The Blackberry Priv is operable to perform the step of accessing at least one track by selecting a subcategory in the second display screen and playing a plurality of tracks associated with the selected category.</p> <p data-bbox="751 963 1892 1255">After selecting a subcategory from the second screen, the pre-installed Play Music application on the Blackberry Priv is operable to play a plurality of tracks associated with the selected category. For example, the Blackberry Priv allows a user to tap the three vertical dots in the bottom right corner of an album to bring up a menu of actions to be performed related to the album. The Blackberry Priv then allows a user to then tap the “Shuffle” button to add the tracks of that album in a random order to the active queue list of songs that is currently being played. The tracks added to the active queue list of songs that is currently being played will play sequentially.</p> <p data-bbox="751 1279 1098 1304">See discussion for claim 1.</p>

'433 Claims

Blackberry Priv

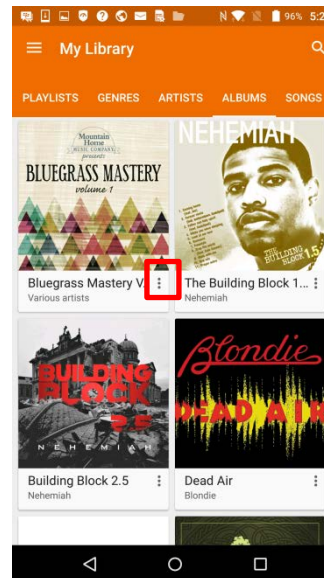


Fig. 12 – On the second display screen, tapping the three vertical dots on the bottom right corner of an album presents the user with several options including “Shuffle.”

'433 Claims

Blackberry Priv

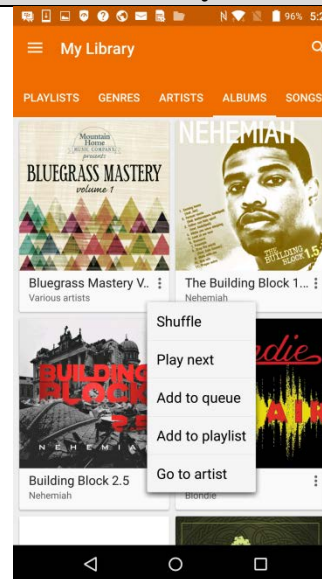


Fig. 13 – After tapping the three vertical dots on the bottom right corner of the album “Bluegrass Mastery Vol. 1,” the user is presented with multiple options including “Shuffle.”

'433 Claims

Blackberry Priv

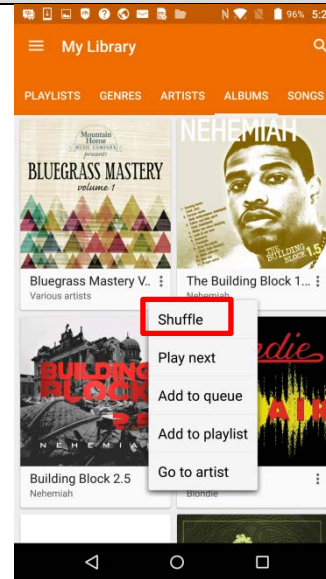
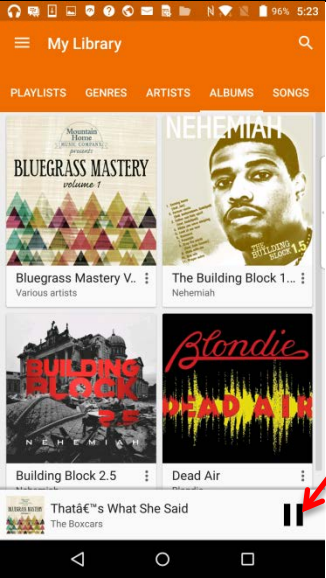


Fig. 14 – “Shuffle” is selected.

'433 Claims	Blackberry Priv
	 <p data-bbox="1583 342 1829 505">Track begins to play.</p> <p data-bbox="747 768 1894 837">Fig. 15 – All of the tracks from the Album have been added to the queue. The first of the randomized tracks from the album begins to play.</p>

'433 Claims

Blackberry Priv

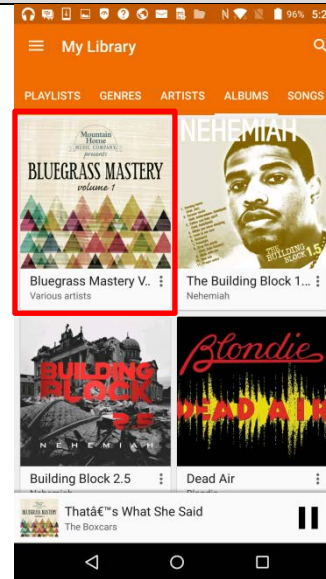



Fig. 16 – The same album is then tapped.

'433 Claims	Blackberry Priv
	 <p>Fig. 17 – The third display screen displays the tracks from the album.</p>

'433 Claims

Blackberry Priv



Fig. 18 – All of the tracks from the album have been added to the queue. This can be seen by first selecting the now playing bar.

'433 Claims

Blackberry Priv

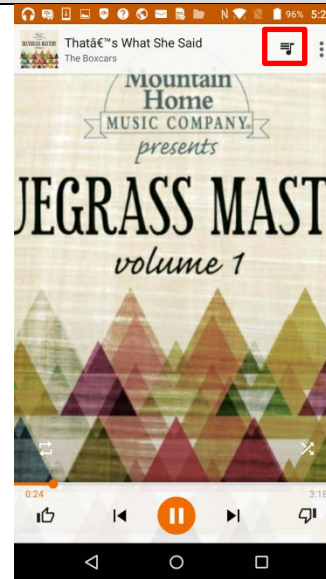
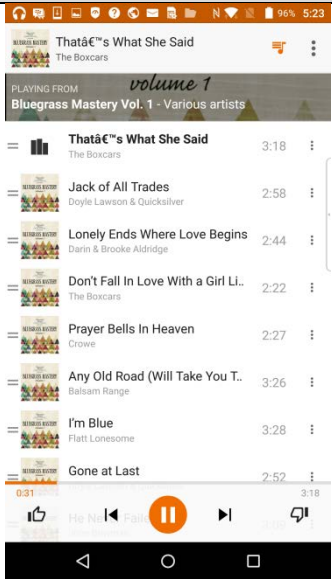


Fig. 19 – The queue can then be viewed by selecting the playlist icon from the top right corner next to the three vertical dots.

'433 Claims	Blackberry Priv
	 <p>Fig. 20 – The queue shows that all of the tracks from the album have been added to the queue, and when the currently playing track ends, the next track in the queue from the album will play.</p>
<p>3. The method of selecting a track as recited in claim 1 wherein the accessing at least one track comprises selecting a subcategory and adding the tracks associated with the selected subcategory to a playlist.</p>	<p>The Blackberry Priv is operable to perform the step of accessing at least one track by selecting a subcategory and adding the tracks associated with the selected subcategory to a playlist.</p> <p>After selecting a subcategory from the second screen, the pre-installed Play Music application on the Blackberry Priv is operable to add a plurality of tracks associated with the selected category to a playlist. For example, the Blackberry Priv allows a user to tap the three vertical dots in the bottom right corner of an album to bring up a menu of actions to be performed related to the album. The Blackberry Priv then allows a user to then tap the “Shuffle” button to add the tracks of that album in a random order to the active queue list of currently playing music.</p> <p>See discussion for claims 1 and 2.</p>

'433 Claims

Blackberry Priv

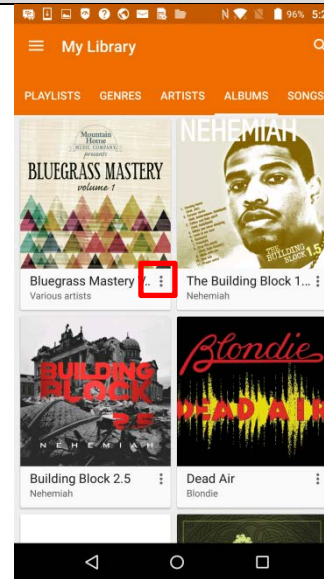


Fig. 21 – On the second display screen, tapping the three vertical dots on the bottom right corner of an album presents the user with several options including “Shuffle.”

'433 Claims

Blackberry Priv

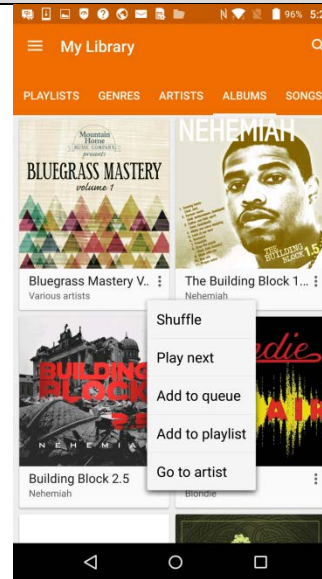


Fig. 22 – After tapping the three vertical dots on the bottom right corner of the album “Bluegrass Mastery Vol. 1,” the user is presented with multiple options including “Shuffle.”

'433 Claims

Blackberry Priv

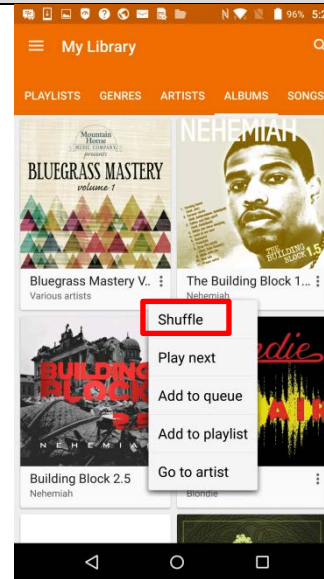
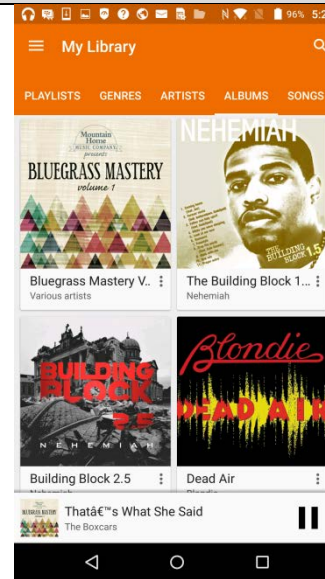


Fig. 23 – “Shuffle” is selected.

'433 Claims

Blackberry Priv



Track begins to play.


Fig. 24 – All of the tracks from the Album have been added to the queue. The first of the randomized tracks from the album begins to play.

'433 Claims

Blackberry Priv



Fig. 25 – The same album is then tapped.

'433 Claims	Blackberry Priv
	 <p>Fig. 26 – The third display screen displays the tracks from the album.</p>

'433 Claims

Blackberry Priv



Fig. 27 – All of the tracks from the album have been added to the queue. This can be seen by first selecting the now playing bar.

'433 Claims

Blackberry Priv

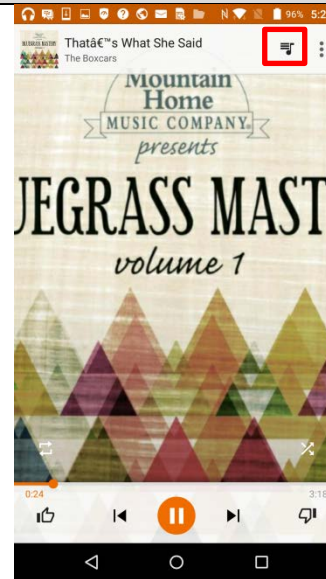
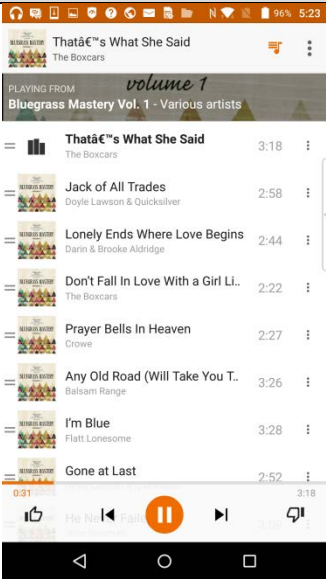


Fig. 28 – The queue can then be viewed by selecting the playlist icon from the top right corner next to the three vertical dots.

'433 Claims	Blackberry Priv
	 <p data-bbox="751 743 1864 815">Fig. 29 – The queue shows that all of the tracks from the album have been added to the queue.</p>
<p data-bbox="163 846 716 1060">5. The method of selecting a track as recited in claim 1 wherein the accessing at least one track comprises selecting an item in the third display screen and adding at least one track associated with the selected item to a playlist.</p>	<p data-bbox="751 846 1885 951">The Blackberry Priv is operable to perform the step of accessing at least one track by selecting an item in the third display screen and adding at least one track associated with the selected item to a playlist.</p> <p data-bbox="751 976 1885 1190">After selecting a subcategory from the second screen, the pre-installed Play Music application on the Blackberry Priv is operable to add a track associated with the selected subcategory to a playlist. For example, the Blackberry Priv allows a user to select an album from the second display screen, and then from the third display screen the Blackberry Priv allows a user to select a track from that album resulting in all of the tracks from the album being added to the queue.</p> <p data-bbox="751 1214 1100 1247">See discussion for claim 1.</p>

'433 Claims

Blackberry Priv



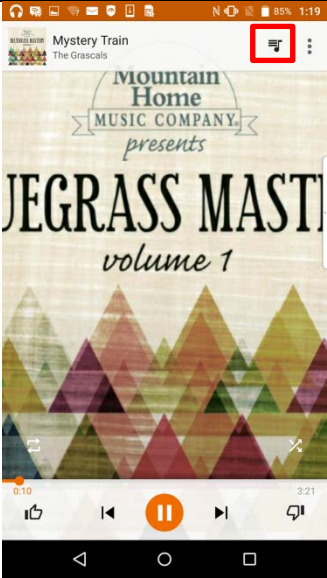
Fig. 30 – Selecting the “Mystery Train” track on the third display screen results in adding all of the tracks from the album to the queue.

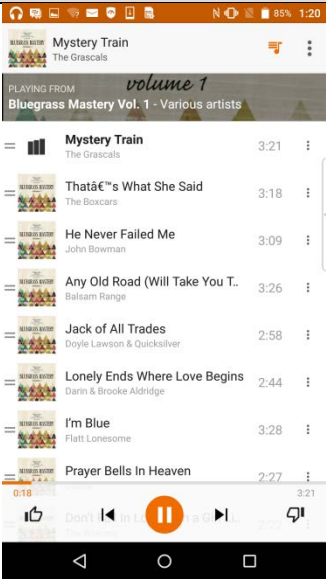
'433 Claims

Blackberry Priv



Fig. 31 – All of the tracks from the album have been added to the queue. This can be seen by first selecting the now playing bar.

'433 Claims	Blackberry Priv
	 <p data-bbox="760 766 1881 831">Fig. 32 – The queue can then be viewed by selecting the playlist icon from the top right corner next to the three vertical dots.</p>

'433 Claims	Blackberry Priv
	 <p>Fig. 33 – The queue shows that all of the tracks from the album have been added to the queue, and when the currently playing track ends, the next track in the queue from the album will play.</p>
<p>7. The method of selecting a track as recited in claim 1 wherein the accessing at least one track is made after the presentation of the third display screen by reverting back to one of the second and first display screens, the second display screen presented sequentially after the third display screen.</p>	<p>The Blackberry Priv is operable to perform the step of accessing at least one track after the presentation of the third display screen by reverting back to one of the second and first display screens, the second display screen presented sequentially after the third display screen.</p> <p>See discussion for claims 1 and 2.</p> <p>The Blackberry Priv allows a user to, instead of (or in addition to) selecting a track on the third display screen, select the back arrow at the top left of the third display screen. The Blackberry Priv then displays the second display screen again. From the second display screen, the Blackberry Priv allows a user to tap the three vertical dots in the bottom right corner of an album to bring up a menu of actions to be performed related to the album. The Blackberry Priv then allows a user to then tap the “Shuffle” button to</p>

'433 Claims

Blackberry Priv

add the tracks of that album in a random order to the active queue list of currently playing music.

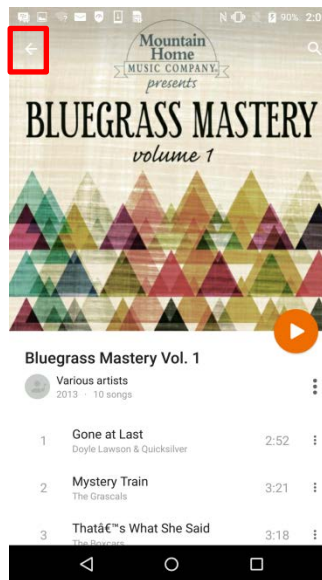


Fig. 34 – On the third display screen, the arrow in the top left of the screen is selected.

'433 Claims

Blackberry Priv

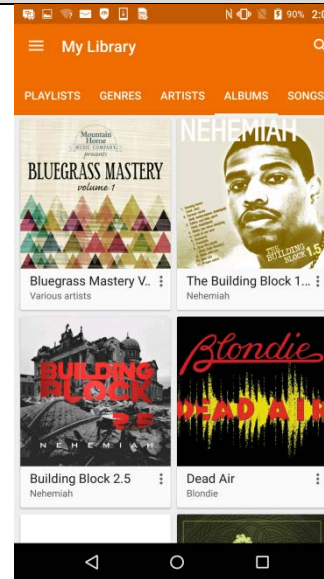


Fig. 35 – The second display screen is then displayed again.

'433 Claims

Blackberry Priv

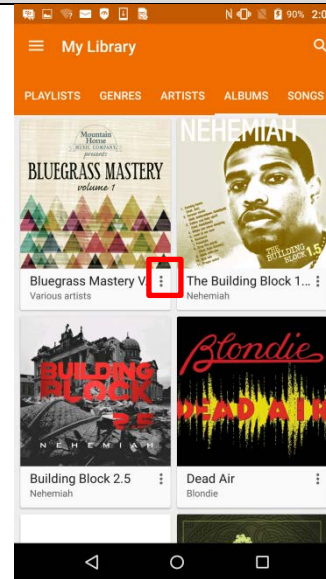


Fig. 36 – On the second display screen, tapping the three vertical dots on the bottom right corner of an album presents the user with several options including “Shuffle.”

'433 Claims

Blackberry Priv

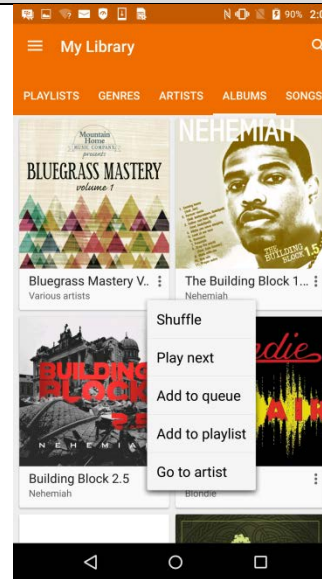


Fig. 37 – After tapping the three vertical dots on the bottom right corner of the album “Bluegrass Mastery Vol. 1,” the user is presented with multiple options including “Shuffle.”

'433 Claims

Blackberry Priv

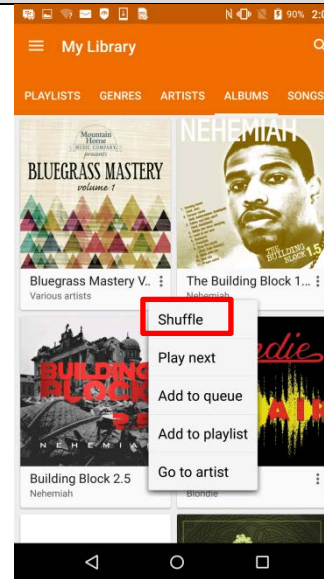
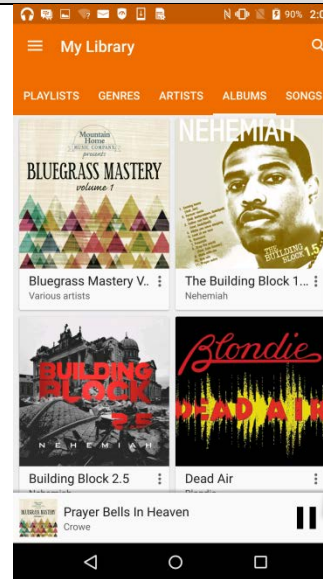


Fig. 38 – “Shuffle” is selected.

'433 Claims

Blackberry Priv



Track begins to play.

Fig. 39 – All of the tracks from the Album have been added to the queue. The first of the randomized tracks from the album begins to play.

'433 Claims

Blackberry Priv

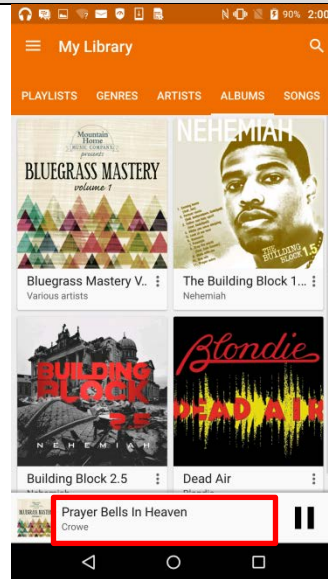


Fig. 40 – All of the tracks from the album have been added to the queue. This can be seen by first selecting the now playing bar.

'433 Claims

Blackberry Priv

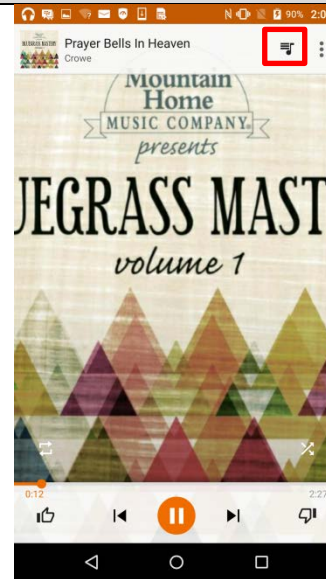
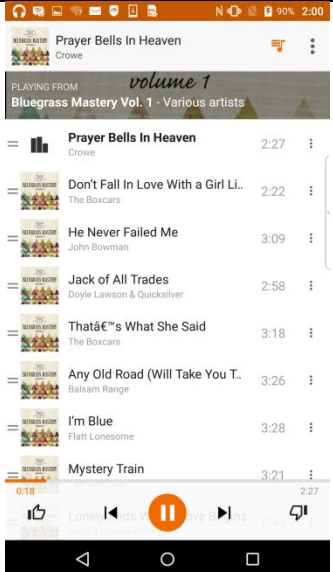
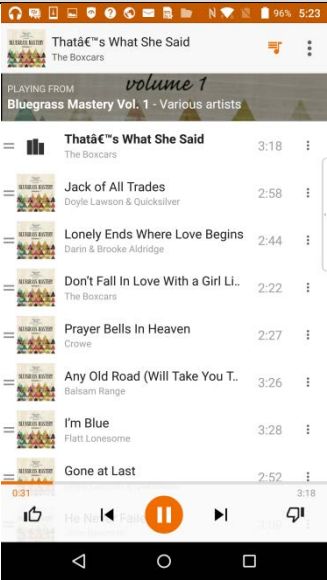
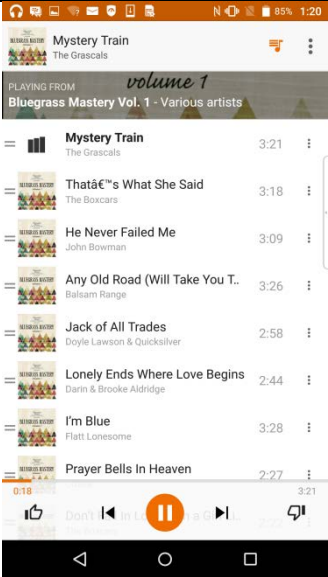


Fig. 41 – The queue can then be viewed by selecting the playlist icon from the top right corner next to the three vertical dots.

'433 Claims	Blackberry Priv
	 <p>The screenshot shows a music player interface on a Blackberry Priv. At the top, it says 'Prayer Bells In Heaven' by Crowe. Below that, it indicates 'PLAYING FROM volume 1 Bluegrass Mastery Vol. 1 - Various artists'. A list of tracks follows: 'Prayer Bells In Heaven' (2:27), 'Don't Fall In Love With a Girl Li..' (2:22), 'He Never Failed Me' (3:09), 'Jack of All Trades' (2:58), 'That's What She Said' (3:18), 'Any Old Road (Will Take You T..' (3:26), 'I'm Blue' (3:28), and 'Mystery Train' (3:21). The current track 'Prayer Bells In Heaven' is highlighted with a progress bar at 0:18. The bottom of the screen shows standard Android navigation buttons.</p> <p>Fig. 42 – The queue shows that all of the tracks from the album have been added to the queue, and when the currently playing track ends, the next track in the queue from the album will play.</p>
<p>17. The method of selecting a track as recited in claim 3 wherein the playlist is an active queue list of songs that is currently being played.</p>	<p>The Blackberry Priv is operable to perform the method of selecting a track as recited in claim 3 wherein the playlist is an active queue list of songs that is currently being played.</p> <p>See discussion for claim 3.</p>

'433 Claims	Blackberry Priv
	 <p>The screenshot shows the Blackberry Priv music application interface. At the top, the title 'Blackberry Priv' is displayed. Below it, the current track 'That's What She Said' by The Boxcars is playing. The album 'Bluegrass Mastery Vol. 1 - Various artists' is shown. A playlist of tracks is visible, including 'That's What She Said', 'Jack of All Trades', 'Lonely Ends Where Love Begins', 'Don't Fall In Love With a Girl Li.', 'Prayer Bells In Heaven', 'Any Old Road (Will Take You T.', 'I'm Blue', and 'Gone at Last'. The playback controls at the bottom show the current track is 'That's What She Said' at 0:31 of 3:18.</p> <p>Fig. 43 – The tracks from the selected album have been added to the active queue list of songs that is currently being played.</p>
<p>18. The method of selecting a track as recited in claim 5 wherein the playlist is an active queue list of songs that is currently being played.</p>	<p>The Blackberry Priv is operable to perform the method of selecting a track as recited in claim 5 wherein the playlist is an active queue list of songs that is currently being played.</p> <p>See discussion for claim 5.</p>

'433 Claims	Blackberry Priv
	 <p>The screenshot shows a music player interface on a Blackberry Priv. At the top, the album title "Bluegrass Mastery Vol. 1 - Various artists" is displayed. Below it, a list of tracks is shown, including "Mystery Train" (3:21), "That's What She Said" (3:18), "He Never Failed Me" (3:09), "Any Old Road (Will Take You T..." (3:26), "Jack of All Trades" (2:58), "Lonely Ends Where Love Begins" (2:44), "I'm Blue" (3:28), and "Prayer Bells In Heaven" (2:27). The current track "Mystery Train" is highlighted, and its progress bar is visible at the bottom.</p> <p>Fig. 44 – All of the tracks associated with the “Bluegrass Mastery Vol. 1” album have been added to the active queue list of songs that is currently being played.</p>
<p>19. The method of selecting a track as recited in claim 5 wherein the selected item in the third display screen is associated with a plurality of tracks, and wherein the accessing at least one track comprises adding the plurality of tracks associated with the selected item to a playlist.</p>	<p>The Blackberry Priv is operable to perform the method of selecting a track as recited in claim 5 wherein the selected item in the third display screen is associated with a plurality of tracks, and wherein the accessing at least one track comprises adding the plurality of tracks associated with the selected item to a playlist.</p> <p>See claim 5.</p>

'433 Claims

Blackberry Priv



Fig. 45 – Selecting the “Mystery Train” track on the third display screen results in adding all of the tracks from the album to the queue.



Track begins to play.

Fig. 46 – Once selected, the track “Mystery Train” begins playing from the queue. All of the tracks from the album have been added to the queue. This can be seen by first selecting the now playing bar.

'433 Claims

Blackberry Priv

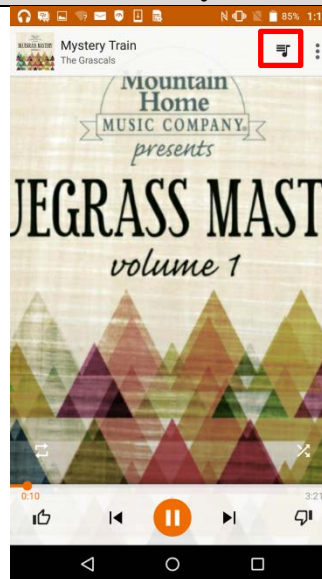
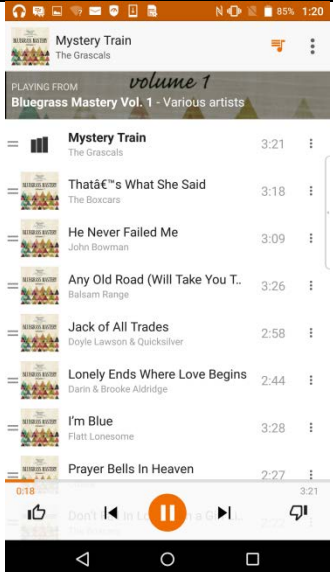
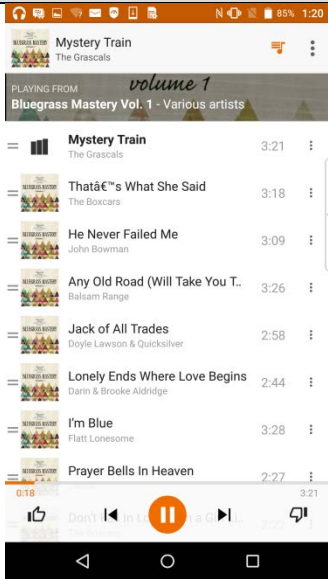


Fig. 47 – The queue can then be viewed by selecting the playlist icon from the top right corner next to the three vertical dots.

'433 Claims	Blackberry Priv
	 <p>The screenshot shows a music player interface on a Blackberry Priv. At the top, it says 'Mystery Train' by 'The Grascals'. Below that, it indicates 'PLAYING FROM volume 1 Bluegrass Mastery Vol. 1 - Various artists'. A list of tracks is shown in a queue: 'Mystery Train' (3:21), 'That's What She Said' (3:18), 'He Never Failed Me' (3:09), 'Any Old Road (Will Take You T...' (3:26), 'Jack of All Trades' (2:58), 'Lonely Ends Where Love Begins' (2:44), 'I'm Blue' (3:28), and 'Prayer Bells In Heaven' (2:27). The current track 'Mystery Train' is highlighted with a progress bar at 0:18. The bottom of the screen shows standard Android navigation buttons.</p>
<p>20. The method of selecting a track as recited in claim 19 wherein the playlist is an active queue list of songs that is currently being played.</p>	<p>The Blackberry Priv is operable to perform the method of selecting a track as recited in claim 19 wherein the playlist is an active queue list of songs that is currently being played.</p> <p>See discussion for claim 19.</p>

'433 Claims	Blackberry Priv
	 <p>The screenshot shows a music player interface on a Blackberry Priv. At the top, the title 'Mystery Train' by 'The Grascals' is displayed. Below it, it indicates the album 'Bluegrass Mastery Vol. 1 - Various artists'. A list of tracks is shown, including 'Mystery Train', 'That's What She Said', 'He Never Failed Me', 'Any Old Road (Will Take You T.', 'Jack of All Trades', 'Lonely Ends Where Love Begins', 'I'm Blue', and 'Prayer Bells In Heaven'. Each track has a duration listed. At the bottom, there is a playback control bar with a play button, a progress indicator, and other controls.</p> <p>Fig. 49 – All of the tracks associated with the “Blue Grass Mastery Vol. 1” album have been added to the active queue list of songs that is currently being played.</p>
<p>21. The method of selecting a track as recited in claim 5 where in the selected item in the third display screen is a selected album name, and wherein the accessing at least one track comprises adding the plurality of tracks associated with the selected album name to a playlist.</p>	<p>The Blackberry Priv is operable to perform the method of selecting a track as recited in claim 5 wherein the selected item in the third display screen is a selected album name, and wherein the accessing at least one track comprises adding the plurality of tracks associated with the selected album name to a playlist.</p> <p>See claim 5.</p> <p>For example, if on the first display screen the “Genres” category is selected and a genre is selected on the second display screen, the Blackberry Priv displays albums on the third display screen. The Blackberry Priv then allows a user to select an album name and select shuffle, which adds all of the tracks associated with the selected album name to the active queue list of songs that is currently being played.</p>

'433 Claims

Blackberry Priv

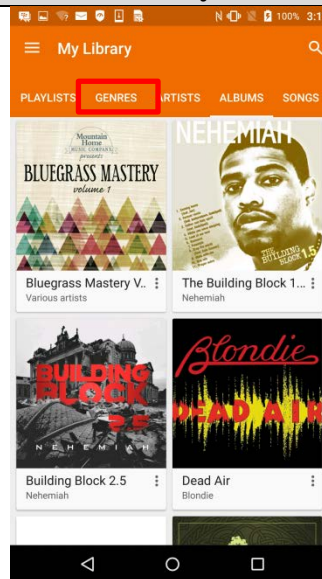


Fig. 50 – The first display screen displays categories, including “Genres,” “Albums,” “Artists,” and “Songs.” In this example, “Genres” is selected.

'433 Claims

Blackberry Priv

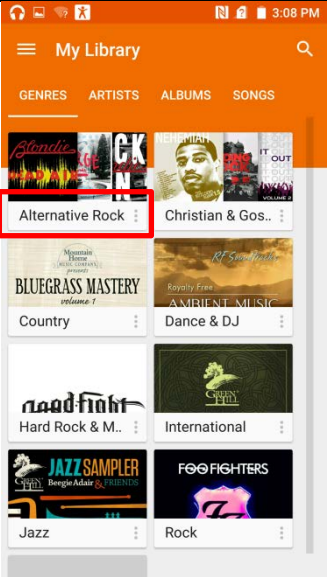


Fig. 51 – After selecting “Genres,” the second display screen displays genres associated with albums stored on the device. In this example, the genre “Alternative Rock” is selected.

'433 Claims

Blackberry Priv

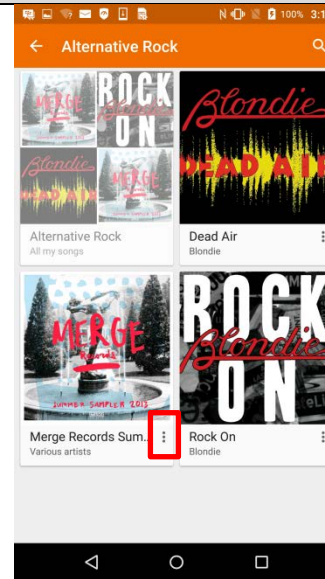


Fig. 52 – After selecting “Alternative Rock,” the third display screen displays album names associated with the selected genre of alternative rock. In this example, the album name “Merge Records Summer Sampler 2013” is selected by tapping on the three vertical dots on the bottom right corner of the album.

'433 Claims

Blackberry Priv

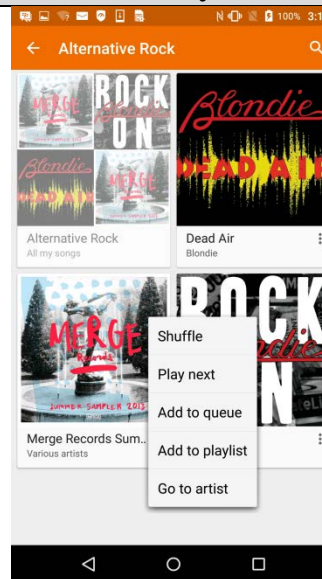


Fig. 53 – After tapping the three vertical dots on the bottom right corner of the album “Merge Records Summer Sampler 2013,” the user is presented with multiple options including “Shuffle.”

'433 Claims

Blackberry Priv

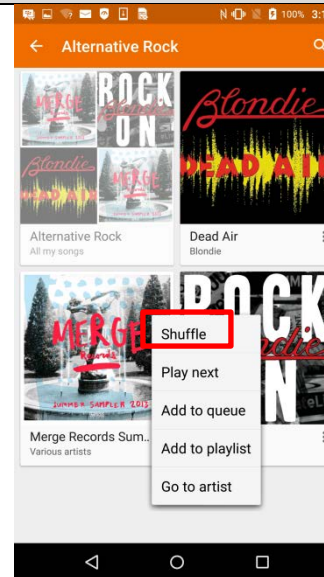
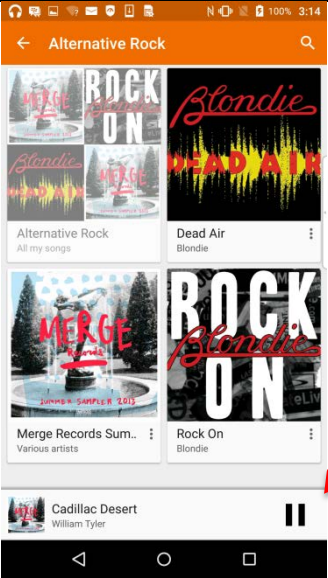


Fig. 54 – “Shuffle” is selected.

'433 Claims	Blackberry Priv
	 <p data-bbox="1575 365 1822 527">Track begins to play.</p> <p data-bbox="747 768 1894 837">Fig. 55 – All of the tracks from the Album have been added to the queue. The first of the randomized tracks from the album begins to play.</p>

'433 Claims

Blackberry Priv

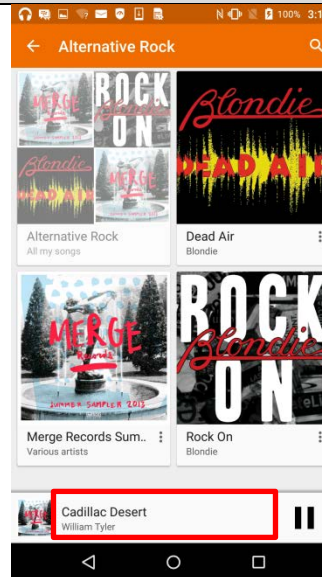
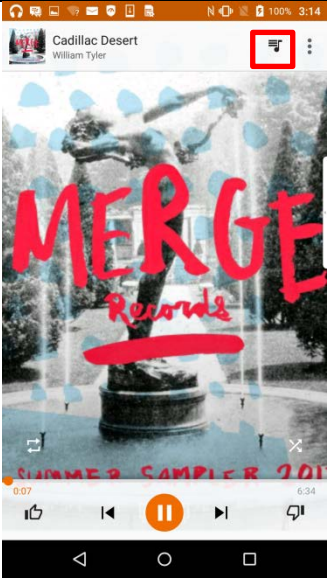



Fig. 56 – All of the tracks from the album have been added to the queue. This can be seen by first selecting the now playing bar.

'433 Claims	Blackberry Priv
	 <p data-bbox="758 764 1881 831">Fig. 57 – The queue can then be viewed by selecting the playlist icon from the top right corner next to the three vertical dots.</p>

'433 Claims	Blackberry Priv
	 <p>The screenshot shows a music player interface on a Blackberry Priv. At the top, it says 'Blackberry Priv'. Below that, the album 'Merge Records Summer Sampler 2013 - Various artists' is displayed. A queue of tracks is shown, including 'Cadillac Desert' (6:34), 'Weight' (3:50), 'Living, Loving, Partygoing' (3:22), 'Bright Light' (2:54), 'Stare at the Sun' (2:56), 'Jean's Waving' (3:03), 'If We Were Banished' (4:05), and 'Born to Die' (3:11). The current track 'Cadillac Desert' is playing, with a progress bar at 0:15. The interface includes standard music controls like play/pause, previous, and next buttons.</p> <p>Fig. 58 – The queue shows that all of the tracks from the album have been added to the queue, and when the currently playing track ends, the next track in the queue from the album will play.</p>
<p>22. The method of selecting a track as recited in claim 21 wherein the playlist is an active queue list of songs that is currently being played.</p>	<p>The Blackberry Priv is operable to perform the method of selecting a track as recited in claim 21 wherein the playlist is an active queue list of songs that is currently being played.</p> <p>See discussion for claim 21.</p>

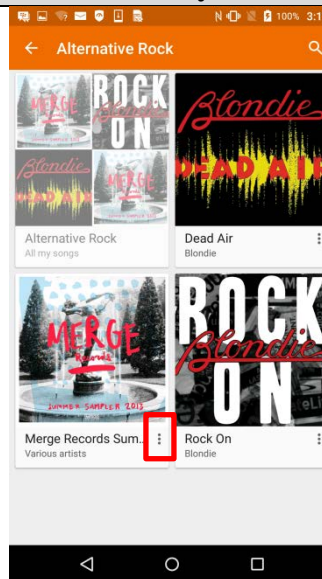


Fig. 59 – After selecting “Alternative Rock,” the third display screen displays album names associated with the selected genre of alternative rock. In this example, the album name “Merge Records Summer Sampler 2013” is selected by tapping on the three vertical dots on the bottom right corner of the album.

'433 Claims

Blackberry Priv

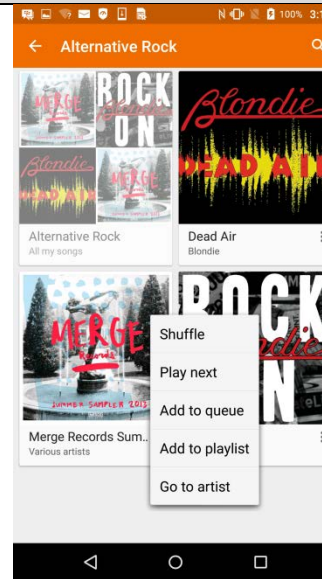


Fig. 60 – After tapping the three vertical dots on the bottom right corner of the album “Merge Records Summer Sampler 2013,” the user is presented with multiple options including “Shuffle.”

'433 Claims

Blackberry Priv

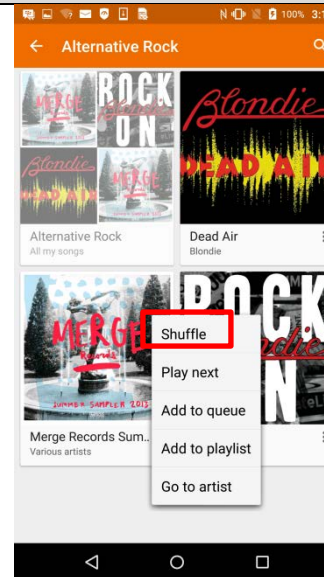
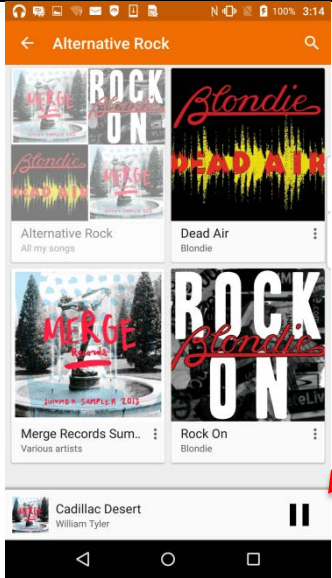


Fig. 61 – “Shuffle” is selected.

'433 Claims	Blackberry Priv
	 <p data-bbox="1577 365 1822 529">Track begins to play.</p> <p data-bbox="747 768 1894 837">Fig. 62 – All of the tracks from the Album have been added to the queue. The first of the randomized tracks from the album begins to play.</p>

'433 Claims

Blackberry Priv

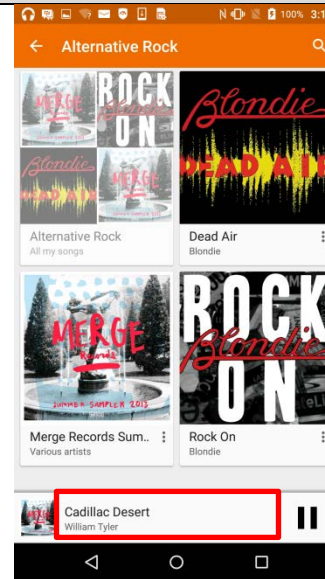
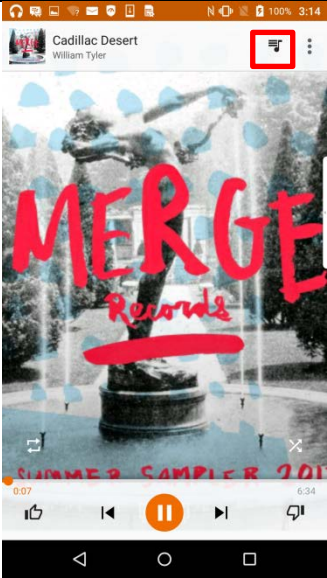

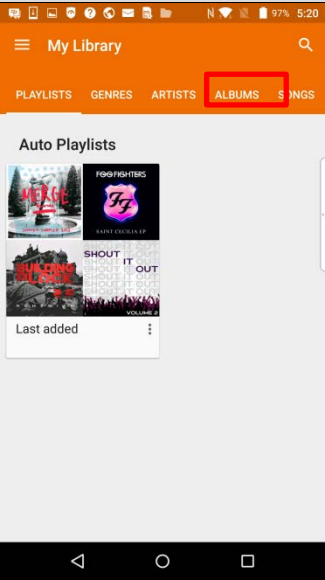
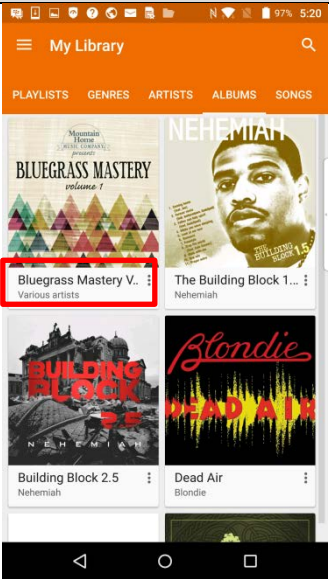


Fig. 63 – All of the tracks from the album have been added to the queue. This can be seen by first selecting the now playing bar.

'433 Claims	Blackberry Priv
	 <p data-bbox="758 766 1881 831">Fig. 64 – The queue can then be viewed by selecting the playlist icon from the top right corner next to the three vertical dots.</p>

'433 Claims	Blackberry Priv
	 <p data-bbox="751 743 1864 850">Fig. 65 – The queue shows that all of the tracks from the album have been added to the queue, and when the currently playing track ends, the next track in the queue from the album will play.</p>
<p data-bbox="163 938 653 1003">23. The method of selecting a track as recited in claim 1 wherein:</p>	<p data-bbox="751 938 1871 1003">The Blackberry Priv is operable to perform the method of selecting a track as recited in claim 1.</p> <p data-bbox="751 1032 1100 1065">See discussion for claim 1.</p>
<p data-bbox="163 1096 674 1235">(a) the category album is selected in the first display screen from available categories that include at least artist and album;</p>	<p data-bbox="751 1096 1892 1198">The Blackberry Priv is operable to perform the method of claim 1 wherein the category album is selected in the first display screen from available categories that include at least artist and album.</p> <p data-bbox="751 1224 1100 1256">See discussion for claim 1.</p>

'433 Claims	Blackberry Priv
	 <p data-bbox="758 768 1850 837">Fig. 66 – The first display screen displays categories, including “Genres,” “Albums,” “Artists,” and “Songs.” In this example, “Albums” is selected.</p>
<p data-bbox="170 867 716 1008">(b) the subcategories listed in the second display screen comprise a listing of album names and one of the album names is selected; and</p>	<p data-bbox="762 867 1881 971">The Blackberry Priv is operable to perform the method of claim 1 wherein the subcategories listed in the second display screen comprise a listing of album names and one of the album names is selected.</p> <p data-bbox="762 997 1108 1027">See discussion for claim 1.</p>

'433 Claims	Blackberry Priv
	 <p data-bbox="751 764 1885 834">Fig. 67 – After selecting “Albums,” the second display screen displays albums stored on the device. In this example, the album “Bluegrass Mastery Vol. 1” is selected.</p>
<p data-bbox="163 865 722 1008">(c) the accessing at least one track comprises adding a plurality of tracks associated with the selected album name to a playlist.</p>	<p data-bbox="758 865 1885 971">The Blackberry Priv is operable to perform the method of claim 1 wherein the accessing at least one track comprises adding a plurality of tracks associated with the selected album name to a playlist.</p> <p data-bbox="758 995 1192 1027">See discussion for claims 1 and 3.</p>

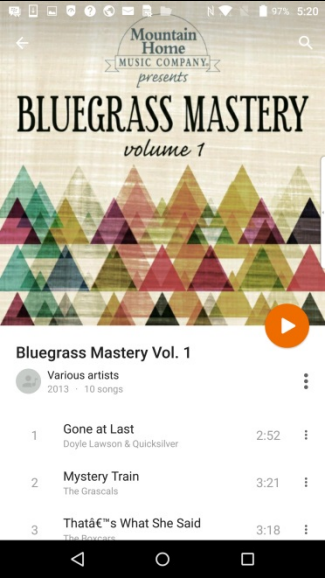
'433 Claims	Blackberry Priv																
	 <p>The screenshot shows a music application interface on a Blackberry Priv. At the top, the status bar displays various icons, signal strength, Wi-Fi, 97% battery, and the time 5:20. The main content area features an album cover for 'Mountain Home MUSIC COMPANY presents BLUEGRASS MASTERY volume 1'. Below the cover is a play button. The album title 'Bluegrass Mastery Vol. 1' is followed by 'Various artists', '2013', and '10 songs'. A track list is displayed below:</p> <table border="1"> <thead> <tr> <th>Track Number</th> <th>Track Name</th> <th>Artist</th> <th>Duration</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Gone at Last</td> <td>Doyle Lawson & Quicksilver</td> <td>2:52</td> </tr> <tr> <td>2</td> <td>Mystery Train</td> <td>The Grascals</td> <td>3:21</td> </tr> <tr> <td>3</td> <td>That's What She Said</td> <td>The Grascals</td> <td>3:18</td> </tr> </tbody> </table> <p>The bottom of the screen shows the standard Android navigation bar with back, home, and recent apps buttons.</p>	Track Number	Track Name	Artist	Duration	1	Gone at Last	Doyle Lawson & Quicksilver	2:52	2	Mystery Train	The Grascals	3:21	3	That's What She Said	The Grascals	3:18
Track Number	Track Name	Artist	Duration														
1	Gone at Last	Doyle Lawson & Quicksilver	2:52														
2	Mystery Train	The Grascals	3:21														
3	That's What She Said	The Grascals	3:18														

Fig. 68 – After selecting an album, the third display screen displays tracks on the device associated with the selected album.

'433 Claims

Blackberry Priv



Fig. 69 – Selecting the “Mystery Train” track results in adding all of the tracks from the album to the queue.

'433 Claims

Blackberry Priv



Track begins to play.

Fig. 70 – Once the track is selected, all of the tracks from the third display screen are added to the queue. This can be seen by first selecting the now playing bar.

'433 Claims

Blackberry Priv

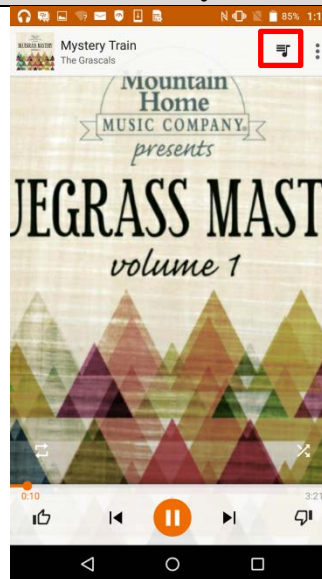
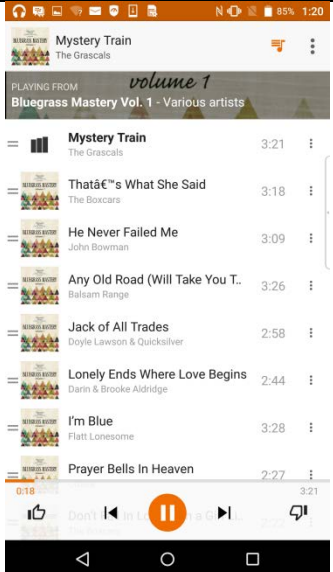


Fig. 71 – The queue can then be viewed by selecting the playlist icon from the top right corner next to the three vertical dots.

'433 Claims	Blackberry Priv
	 <p>The screenshot shows a music player interface on a Blackberry Priv. At the top, it says 'Mystery Train' by 'The Grascals'. Below that, it indicates 'PLAYING FROM volume 1 Bluegrass Mastery Vol. 1 - Various artists'. A list of tracks is shown in a queue: 'Mystery Train' (3:21), 'That's What She Said' (3:18), 'He Never Failed Me' (3:09), 'Any Old Road (Will Take You T...' (3:26), 'Jack of All Trades' (2:58), 'Lonely Ends Where Love Begins' (2:44), 'I'm Blue' (3:28), and 'Prayer Bells In Heaven' (2:27). The current track 'Mystery Train' is highlighted with a progress bar at 0:18. The bottom of the screen shows standard Android navigation buttons.</p>
<p>24. The method of selecting a track as recited in claim 23 wherein the playlist is an active queue list of songs that is currently being played.</p>	<p>The Blackberry Priv is operable to perform the method of selecting a track as recited in claim 23 wherein the playlist is an active queue list of songs that is currently being played.</p> <p>See discussion for claim 23.</p>

'433 Claims

Blackberry Priv

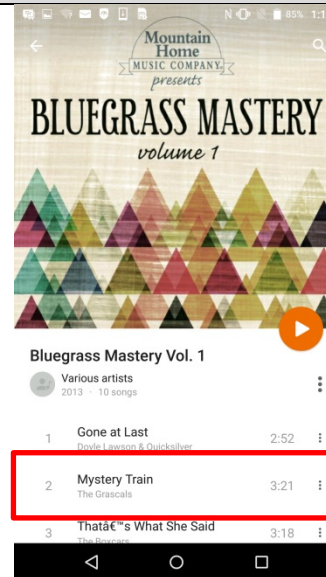


Fig. 73 – Selecting the “Mystery Train” track results in adding all of the tracks from the album to the queue.

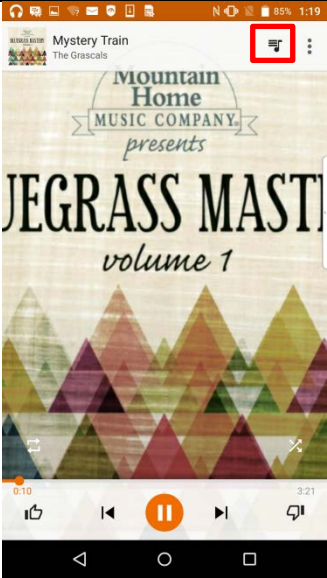
'433 Claims

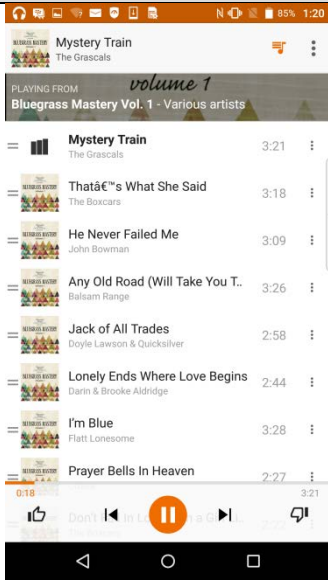
Blackberry Priv

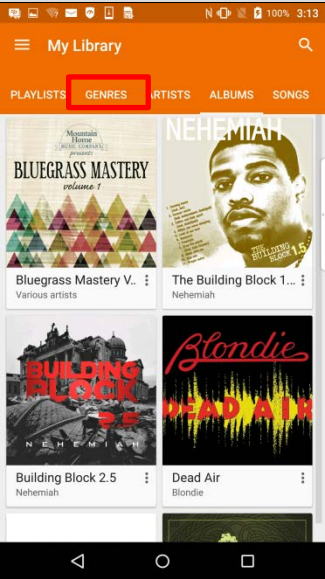


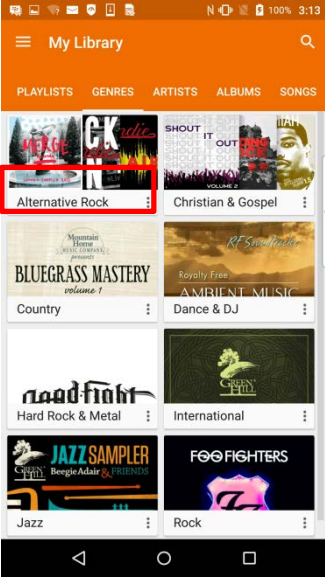
Track begins to play.

Fig. 74 – Once the track is selected, all of the tracks from the third display screen are added to the queue. This can be seen by first selecting the now playing bar.

'433 Claims	Blackberry Priv
	 <p data-bbox="758 766 1881 831">Fig. 75 – The queue can then be viewed by selecting the playlist icon from the top right corner next to the three vertical dots.</p>

'433 Claims	Blackberry Priv
	 <p data-bbox="747 743 1864 854">Fig. 76 – The queue shows that all of the tracks from the album have been added to the queue, and when the currently playing track ends, the next track in the queue from the album will play.</p>
25. The method of selecting a track as recited in claim 1 wherein:	<p data-bbox="747 881 1871 946">The Blackberry Priv is operable to perform the method of selecting a track as recited in claim 1.</p> <p data-bbox="747 976 1100 1008">See discussion for claim 1.</p>
(a) the category genre is selected in the first display screen from available categories that include at least artist, album, and genre;	<p data-bbox="747 1040 1892 1143">The Blackberry Priv is operable to perform the method of claim 1 wherein the category album is selected in the first display screen from available categories that include at least artist, album, and genre.</p> <p data-bbox="747 1170 1100 1203">See discussion for claim 1.</p>

'433 Claims	Blackberry Priv
	 <p data-bbox="758 764 1850 834">Fig. 77 – The first display screen displays categories, including “Genres,” “Albums,” “Artists,” and “Songs.” In this example, “Genres” is selected.</p>
<p data-bbox="170 865 695 1008">(b) the subcategories listed in the second display screen comprise a listing of a plurality of genre types, and one of one genre types is selected;</p>	<p data-bbox="758 865 1881 967">The Blackberry Priv is operable to perform the method of claim 1 wherein the subcategories listed in the second display screen comprise a listing of album names and one of the album names is selected.</p> <p data-bbox="758 995 1108 1024">See discussion for claim 1.</p> <p data-bbox="758 1052 1877 1304">The pre-installed Play Music application on the Blackberry Priv displays the corresponding subcategories in a second display screen when a user selects one of the categories in the first display screen. For example, if the user selects the “Genres” category in the first display screen, the Music application displays a second display screen containing genre types. The pre-installed Play Music application on the Blackberry Priv then allows a user to select a subcategory in the second display screen, such as “Alternative Rock.”</p>

'433 Claims	Blackberry Priv
	 <p>Fig. 78 – After selecting “Genres,” the second display screen displays genres associated with albums stored on the device. In this example, the genre “Alternative Rock” is selected.</p>
<p>(c) the items displayed in the third display screen comprise a listing of a plurality of album names associated with the selected genre type, and one of the album names is selected; and</p>	<p>The Blackberry Priv is operable to perform the method of claim 1 wherein the items listed in the third display screen comprise a listing of album names associated with the selected genre type and one of the album names is selected.</p> <p>See discussion for claim 1.</p> <p>The pre-installed Play Music application on the Blackberry Priv displays the corresponding items in a third display screen when a user selects one of the subcategories in the second display screen. For example, if a user selects the “Alternative Rock” genre in the second display screen, the Music application displays a third display screen containing the album names stored on the Blackberry Priv belonging</p>

'433 Claims	Blackberry Priv
	<p>to the selected genre. The pre-installed Play Music application on the Blackberry Priv then allows a user to select an item in the third display screen, such as the album name “Merge Records Summer Sampler 2013.”</p> <div data-bbox="1167 358 1493 932" data-label="Image"> </div> <p>Fig. 79 – After selecting “Alternative Rock,” the third display screen displays album names associated with the selected genre of alternative rock. In this example, the album name “Merge Records Summer Sampler 2013” is selected by tapping on the three vertical dots on the bottom right corner of the album.</p>
<p>(d) the accessing at least one track comprises adding a plurality of tracks associated with the selected album name to a playlist.</p>	<p>The Blackberry Priv is operable to perform the method of claim 1 wherein the accessing at least one track comprises adding a plurality of tracks associated with the selected album name to a playlist.</p> <p>See discussion for claim 1.</p> <p>The pre-installed Play Music application on the Blackberry Priv is allows a user to select</p>

'433 Claims

Blackberry Priv

an album name from the third screen and add a plurality of tracks associated with the album name to a playlist. For example, when the user selects the album “Merge Records Summer Sampler 2013” by tapping on the three vertical dots on the bottom right corner of the album and selects “Shuffle,” all of the tracks associated with the selected album name are added to the queue.

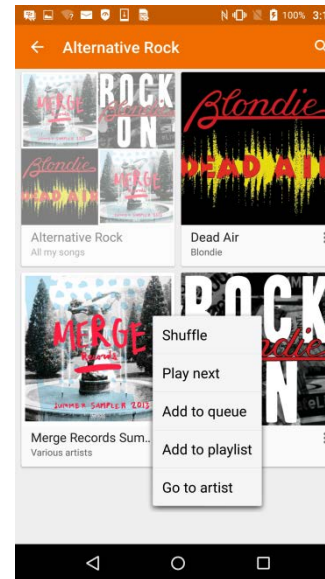


Fig. 80 – After tapping the three vertical dots on the bottom right corner of the album “Merge Records Summer Sampler 2013,” the user is presented with multiple options including “Shuffle.”

'433 Claims

Blackberry Priv

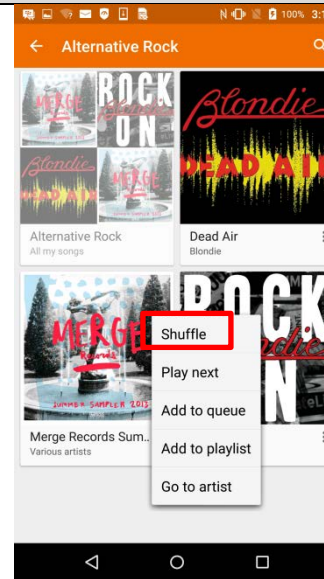
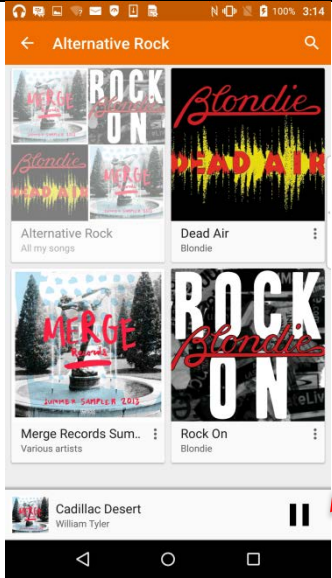


Fig. 81 – “Shuffle” is selected.

'433 Claims	Blackberry Priv
	 <p data-bbox="1612 349 1864 516">Track begins to play.</p> <p data-bbox="747 768 1894 837">Fig. 82 – All of the tracks from the Album have been added to the queue. The first of the randomized tracks from the album begins to play.</p>

'433 Claims

Blackberry Priv

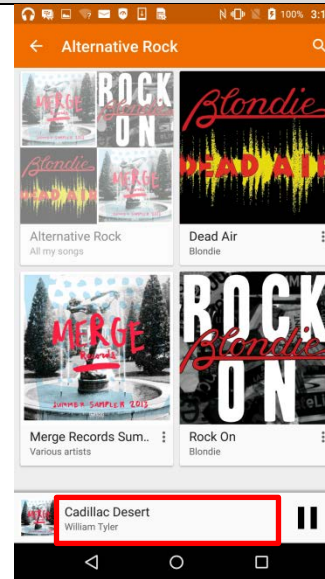
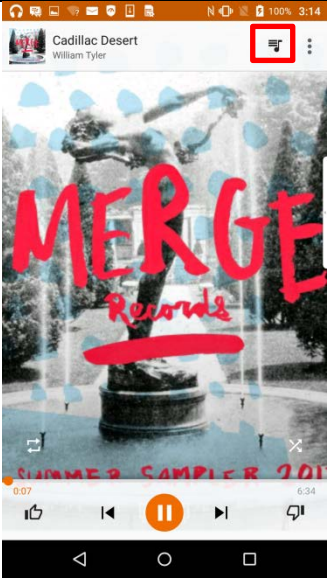



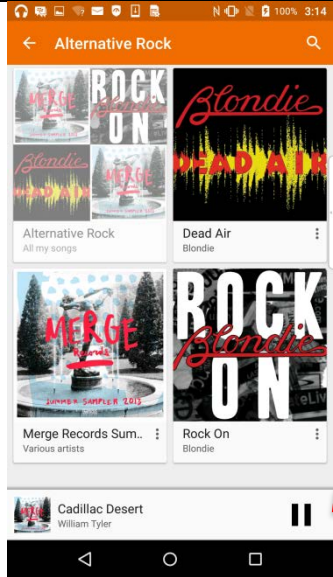
Fig. 83 – All of the tracks from the album have been added to the queue. This can be seen by first selecting the now playing bar.

'433 Claims	Blackberry Priv
	 <p data-bbox="760 766 1881 831">Fig. 84 – The queue can then be viewed by selecting the playlist icon from the top right corner next to the three vertical dots.</p>

'433 Claims	Blackberry Priv
	 <p>The screenshot shows a music player interface on a Blackberry Priv. At the top, it says 'Blackberry Priv'. Below that, the album 'Cadillac Desert' by William Tyler is displayed. A banner indicates 'PLAYING FROM Merge Records Summer Sampler 2013 - Various artists'. A queue of tracks is listed: Cadillac Desert (6:34), Weight (3:50), Living, Loving, Partygoing (3:22), Bright Light (2:54), Stare at the Sun (2:56), Jean's Waving (3:03), If We Were Banished (4:05), and Born to Die (3:11). The current track 'Cadillac Desert' is playing, with a progress bar at 0:15. The interface includes standard music controls like play/pause, previous, and next buttons.</p> <p>Fig. 85 – The queue shows that all of the tracks from the album have been added to the queue, and when the currently playing track ends, the next track in the queue from the album will play.</p>
<p>26. The method of selecting a track as recited in claim 25 wherein the playlist is an active queue list of songs that is currently being played.</p>	<p>The Blackberry Priv is operable to perform the method of selecting a track as recited in claim 25 wherein the playlist is an active queue list of songs that is currently being played.</p> <p>See discussion for claim 25.</p>

'433 Claims

Blackberry Priv



Track begins to play.

Fig. 86 – After selecting “Shuffle,” all of the tracks from the Album have been added to the queue. The first of the randomized tracks from the album begins to play.

'433 Claims

Blackberry Priv

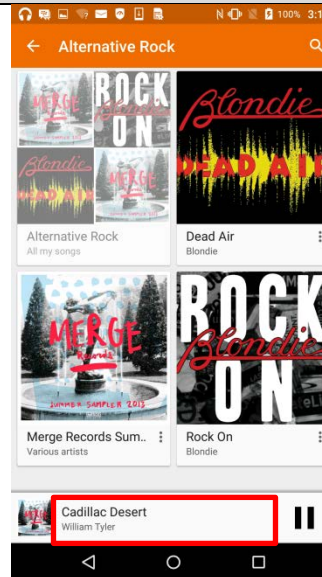
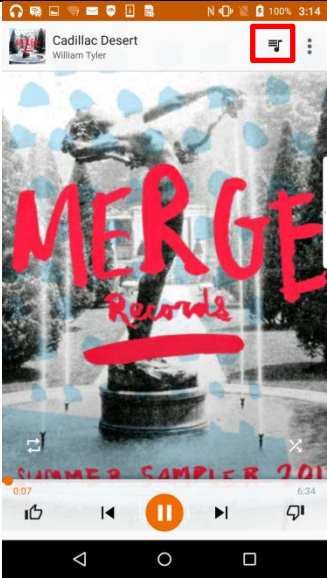

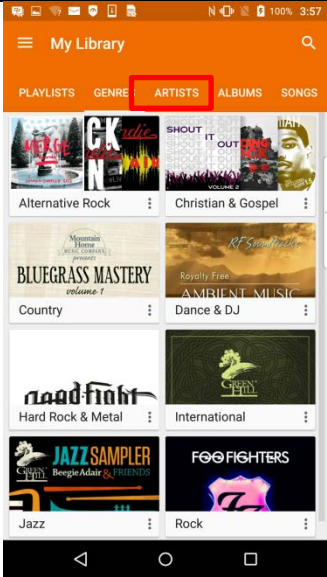
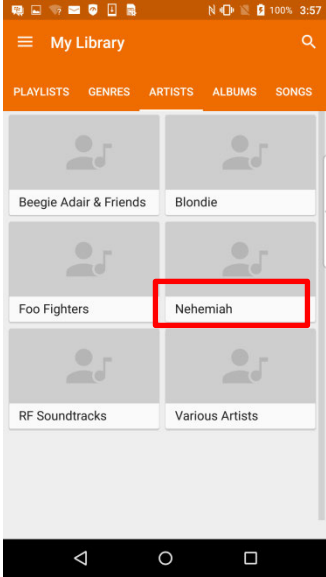


Fig. 87 – All of the tracks from the album have been added to the queue. This can be seen by first selecting the now playing bar.

'433 Claims	Blackberry Priv
	 <p data-bbox="760 766 1885 831">Fig. 88 – The queue can then be viewed by selecting the playlist icon from the top right corner next to the three vertical dots.</p>

'433 Claims	Blackberry Priv
	 <p data-bbox="758 743 1871 850">Fig. 89 – The queue shows that all of the tracks from the album have been added to the queue, and when the currently playing track ends, the next track in the queue from the album will play.</p>
27. The method of selecting a track as recited in claim 1 wherein:	<p data-bbox="758 881 1871 948">The Blackberry Priv is operable to perform the method of selecting a track as recited in claim 1.</p> <p data-bbox="758 976 1104 1008">See discussion for claim 1.</p>
(a) the category artist is selected in the first display screen from available categories that include at least artist, album, and genre;	<p data-bbox="758 1039 1871 1143">The Blackberry Priv is operable to perform the method of claim 1 wherein the category artist is selected in the first display screen from available categories that include at least artist, album, and genre.</p> <p data-bbox="758 1170 1104 1203">See discussion for claim 1.</p>

'433 Claims	Blackberry Priv
	 <p data-bbox="762 768 1850 836">Fig. 90 – The first display screen displays categories, including “Genres,” “Albums,” “Artists,” and “Songs.” In this example, “Artists” is selected.</p>
<p data-bbox="174 865 726 1003">(b) the subcategories listed in the second display screen comprise a listing of artist names, and one of the listed artist names is selected;</p>	<p data-bbox="762 865 1871 971">The Blackberry Priv is operable to perform the method of claim 1 wherein the subcategories listed in the second display screen comprise a listing of artist names and one of the artist names is selected.</p> <p data-bbox="762 995 1108 1027">See discussion for claim 1.</p> <p data-bbox="762 1052 1881 1304">The pre-installed Play Music application on the Blackberry Priv displays the corresponding subcategories in a second display screen when a user selects one of the categories in the first display screen. For example, if the user selects the “Artists” category in the first display screen, the Music application displays a second display screen containing artist names. The pre-installed Play Music application on the Blackberry Priv then allows a user to select a subcategory in the second display screen, such as “Nehemiah.”</p>

'433 Claims	Blackberry Priv
	 <p data-bbox="751 824 1892 927">Fig. 91 – After selecting “Artists,” the second display screen displays artist names associated with tracks stored on the device. In this example, the artist name “Nehemiah” is selected.</p>
<p data-bbox="163 964 709 1138">(c) the items displayed in the third display screen comprise a listing of album names associated with the selected artist name, and one of the listed album names is selected; and</p>	<p data-bbox="751 964 1864 1065">The Blackberry Priv is operable to perform the method of claim 1 wherein the items listed in the third display screen comprise a listing of album names associated with the selected artist name and one of the album names is selected.</p> <p data-bbox="751 1092 1100 1122">See discussion for claim 1.</p> <p data-bbox="751 1149 1892 1328">The pre-installed Play Music application on the Blackberry Priv displays the corresponding items in a third display screen when a user selects one of the subcategories in the second display screen. For example, if a user selects the artist name “Nehemiah” in the second display screen, the Music application displays a third display screen containing the album names stored on the Blackberry Priv associated with the</p>

'433 Claims	Blackberry Priv
	<p>selected artist name. The pre-installed Play Music application on the Blackberry Priv then allows a user to select an item in the third display screen, such as the album name “The Building Block 1.5.”</p> <div data-bbox="1171 358 1495 932" data-label="Image"> </div> <p>Fig. 92 – After selecting “Nehemiah,” the third display screen displays album names associated with the selected artist name “Nehemiah.” In this example, the album name “The Building Block 1.5” is selected by tapping on the three vertical dots on the bottom right corner of the album.</p>
<p>(d) the accessing at least one track comprises adding a plurality of tracks associated with the selected album name to a playlist.</p>	<p>The Blackberry Priv is operable to perform the method of claim 1 wherein the accessing at least one track comprises adding a plurality of tracks associated with the selected album name to a playlist.</p> <p>See discussion for claim 1.</p> <p>The pre-installed Play Music application on the Blackberry Priv is allows a user to select</p>

'433 Claims

Blackberry Priv

an album name from the third screen and add a plurality of tracks associated with the album name to a playlist. For example, when the user selects the album “The Building Block 1.5” by tapping on the three vertical dots on the bottom right corner of the album and selects “Shuffle,” all of the tracks associated with the selected album name are added to the queue.

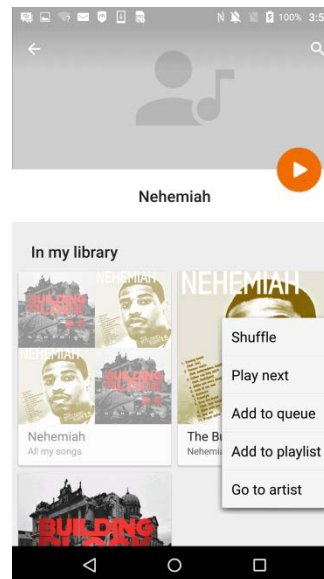


Fig. 93 – After tapping the three vertical dots on the bottom right corner of the album “The Building Block 1.5,” the user is presented with multiple options including “Shuffle.”

'433 Claims

Blackberry Priv

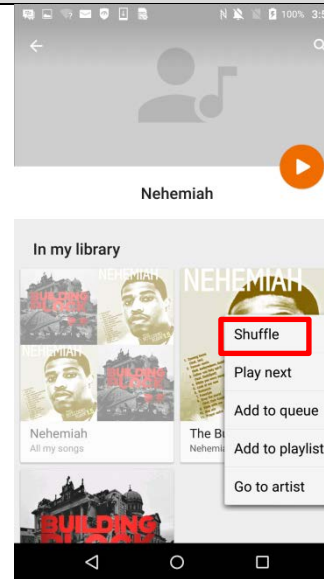
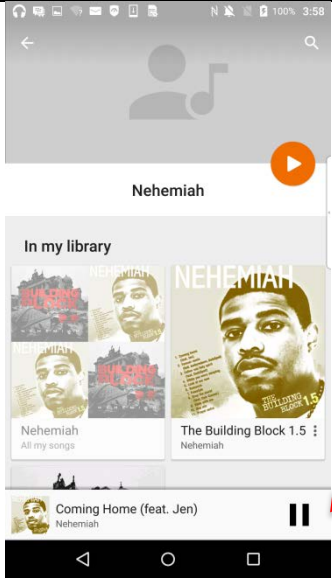


Fig. 94 – “Shuffle” is selected.

'433 Claims	Blackberry Priv
	 <p data-bbox="1619 350 1864 516">Track begins to play.</p> <p data-bbox="747 768 1894 837">Fig. 95 – All of the tracks from the Album have been added to the queue. The first of the randomized tracks from the album begins to play.</p>

'433 Claims

Blackberry Priv

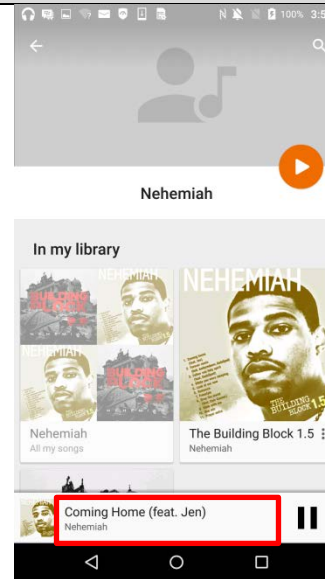


Fig. 96 – All of the tracks from the album have been added to the queue. This can be seen by first selecting the now playing bar.

'433 Claims

Blackberry Priv

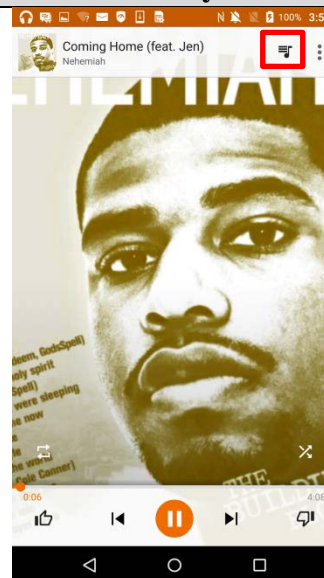
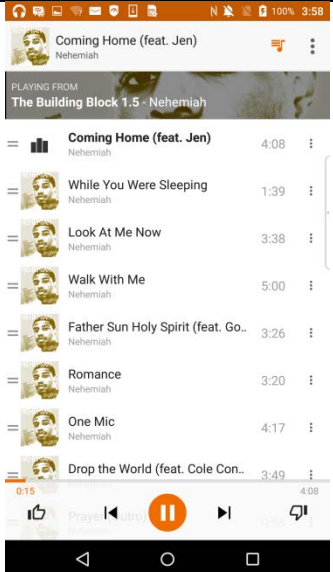
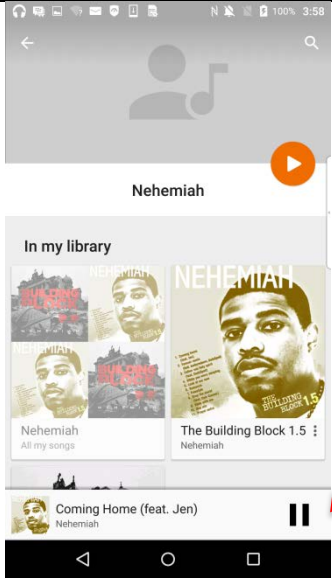


Fig. 97 – The queue can then be viewed by selecting the playlist icon from the top right corner next to the three vertical dots.

'433 Claims	Blackberry Priv
	 <p data-bbox="766 743 1879 852">Fig. 98 – The queue shows that all of the tracks from the album have been added to the queue, and when the currently playing track ends, the next track in the queue from the album will play.</p>
<p data-bbox="172 880 709 1023">28. The method of selecting a track as recited in claim 27 wherein the playlist is an active queue list of songs that is currently being played.</p>	<p data-bbox="766 880 1879 987">The Blackberry Priv is operable to perform the method of selecting a track as recited in claim 27 wherein the playlist is an active queue list of songs that is currently being played.</p> <p data-bbox="766 1010 1129 1042">See discussion for claim 27.</p>

'433 Claims	Blackberry Priv
	 <p data-bbox="1617 349 1864 516">Track begins to play.</p> <p data-bbox="747 768 1894 837">Fig. 99 – All of the tracks from the Album have been added to the queue. The first of the randomized tracks from the album begins to play.</p>

'433 Claims

Blackberry Priv

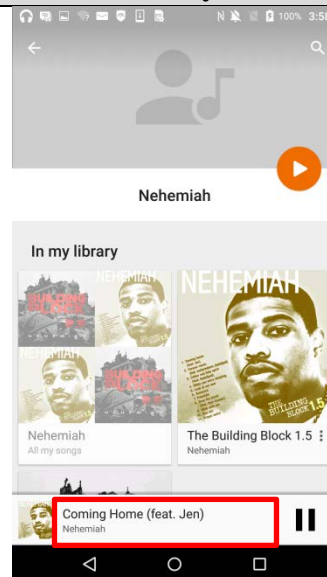


Fig. 100 – All of the tracks from the album have been added to the queue. This can be seen by first selecting the now playing bar.

'433 Claims

Blackberry Priv

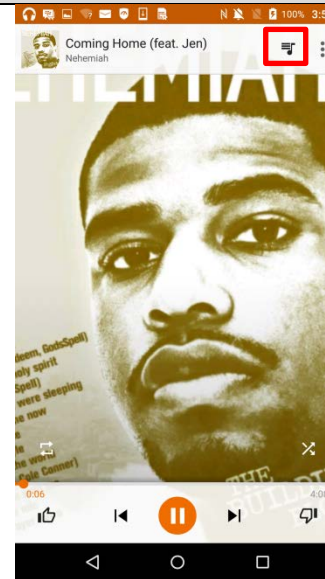


Fig. 101 – The queue can then be viewed by selecting the playlist icon from the top right corner next to the three vertical dots.

'433 Claims

Blackberry Priv

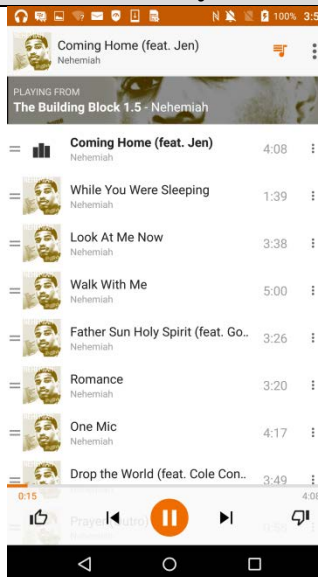


Fig. 102 – The queue shows that all of the tracks from the album have been added to the queue, and when the currently playing track ends, the next track in the queue from the album will play.

EXHIBIT 11

**UNITED STATES INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C.**

In the Matter of

**CERTAIN PORTABLE ELECTRONIC
DEVICES AND COMPONENTS
THEREOF**

Investigation No. 337-TA-_____

**DECLARATION OF GURTEJ SINGH IN SUPPORT OF COMPLAINT OF CREATIVE
TECHNOLOGY LTD. AND CREATIVE LABS, INC. UNDER
SECTION 337 OF THE TARIFF ACT OF 1930, AS AMENDED**

I, GURTEJ SINGH, declare as follows:

1. I am an associate at Farney Daniels P.C. (“FD”), 411 Borel Ave., Ste. 350, San Mateo, CA 94402, counsel for Complainants Creative Technology Ltd. and Creative Labs, Inc. The facts set forth in this declaration are based on my personal knowledge or present understanding. I would competently testify as to these facts if called upon to do so.

ZTE

2. On February 12, 2016, I purchased one (1) ZTE Axon Pro – Factory Unlocked Phone – Phthalo Blue (U.S. Warranty) from Amazon.com. The device was shipped to the Amazon Locker located at 2335 S. Winchester Blvd, Campbell, CA 95008-4058. Copies of the sales receipt for the purchase of the ZTE Axon Pro device and a series of photographs of the device and packaging in which the device was delivered are attached hereto as Exhibits A and B respectively. As shown in Exhibit B, a label on the packaging states that the product was: “Made in China.”

3. The ZTE Axon Pro device was sold with the Google Play Music app (Version 5.8.1810R.1720607) pre-installed.

4. The ZTE Axon Pro device was sold with the ZTE Music app (Version 3.0.0.7272) pre-installed.

5. In order to test the functionality of the pre-installed music apps, I loaded several digital music albums in mp3 format onto the ZTE Axon Pro device from a PC using a Micro-USB B-type to USB A-type cable.

Sony

6. On February 4, 2016, I purchased one (1) Sony Xperia Z3+ 32GB GSM/LTE Unlocked Cell Phone – Black (U.S. Warranty) from Amazon.com. The device was shipped to

the Amazon Locker located at 2335 S. Winchester Blvd, Campbell, CA 95008-4058. Copies of the sales receipt for the purchase of the Sony Xperia Z3+ device and a series of photographs of the device and packaging in which the device was delivered are attached hereto as Exhibits C and D respectively. As shown in Exhibit D, a label on the packaging states that the product was: “Made in China.”

7. The Sony Xperia Z3+ device was sold with the Google Play Music app (Version 5.9.1854R.1904527) pre-installed.

8. The Sony Xperia Z3+ device was sold with the Sony Music app (Version 9.0.2.A.0.0) pre-installed.

9. In order to test the functionality of the pre-installed music apps, I loaded several digital music albums in mp3 format onto the Sony Xperia Z3+ device from a PC using a Micro-USB B-type to USB A-type cable.

Samsung

10. On January 8, 2016, I purchased one (1) Samsung Galaxy S6 G920F Unlocked Cell Phone – Retail Packaging – White Pearl from Amazon.com. The device was shipped to the Amazon Locker located at 678 Concar Dr., San Mateo, CA 94402-2622. Copies of the sales receipt for the purchase of the Samsung Galaxy S6 device and a series of photographs of the device and packaging in which the device was delivered are attached hereto as Exhibits E and F respectively. As shown in Exhibit F, a label on the phone states that the product was: “Made in Vietnam by Samsung.”

11. The Samsung Galaxy S6 device was sold with the Google Play Music app (Version 5.9.1854R.1904527) pre-installed.

12. The Samsung Galaxy S6 device was sold with the Samsung Music app (Version 6.0.1508051449) pre-installed.

13. In order to test the functionality of the pre-installed music apps, I loaded several digital music albums in mp3 format onto the Samsung Galaxy S6 device from a PC using a Micro-USB B-type to USB A-type cable.

LG

14. On February 4, 2016, I purchased one (1) LG G4 Unlocked – Black Leather 32 GB (U.S. Warranty) from Amazon.com. The device was shipped to the Amazon Locker located at 2335 S. Winchester Blvd, Campbell, CA 95008-4058. Copies of the sales receipt for the purchase of the LG G4 device and a series of photographs of the device and packaging in which the device was delivered are attached hereto as Exhibits G and H respectively. As shown in Exhibit H, a label on the device states that: “Phone made in Korea with Korean and foreign components.”

15. The LG G4 device was sold with the Google Play Music app (Version 5.9.1854R.1904527) pre-installed.

16. The LG G4 device was sold with the LG Music app (Version 4.51.8) pre-installed.

17. In order to test the functionality of the pre-installed music apps, I loaded several digital music albums in mp3 format onto the LG G4 device from a PC using a Micro-USB B-type to USB A-type cable.

Lenovo

18. On January 8, 2016, I purchased one (1) Moto X Pure Edition Unlocked Smartphone, 16GB Black (U.S. Warranty – XT1575) from Amazon.com. The device was

shipped to the Amazon Locker located at 678 Concar Dr., San Mateo, CA 94402-2622. Copies of the sales receipt for the purchase of the Moto X device and a series of photographs of the device and packaging in which the device was delivered are attached hereto as Exhibits I and J respectively. As shown in Exhibit J, a label on the packaging states that the: "Phone made in China."

19. The Moto X device was sold with the Google Play Music app (Version 5.9.1854R.1904527) pre-installed.

20. In order to test the functionality of the pre-installed music apps, I loaded several digital music albums in mp3 format onto the Moto X device from a PC using a Micro-USB B-type to USB A-type cable.

HTC

21. On February 4, 2016, I purchased one (1) HTC – One (M9) 4G with 32 GM Memory Cell Phone – Silver (AT&T) from BestBuy.com. I picked up the device from the Best Buy located at 1127 Industrial Rd, San Carlos, CA 94070. Copies of the sales receipt for the purchase of the HTC One M9 device and a series of photographs of the device and packaging in which the device was delivered are attached hereto as Exhibits K and L respectively. As shown in Exhibit L, a label on the packaging states that the product was: "Made in Taiwan."

22. The HTC One M9 device was sold with the Google Play Music app (Version 5.7.1788Q.1634597) pre-installed.

23. The HTC One M9 device was sold with the HTC Music app (Version 7.0.49336) pre-installed.

24. In order to test the functionality of the pre-installed music apps, I loaded several digital music albums in mp3 format onto the HTC One M9 device from a PC using a Micro-USB B-type to USB A-type cable.

Blackberry

25. On February 4, 2016, I purchased one (1) Priv Blackberry Unlocked Smartphone – Black (U.S. Warranty) from Amazon.com. The device was shipped to the Amazon Locker located at 2335 S. Winchester Blvd, Campbell, CA 95008-4058. Copies of the sales receipt for the purchase of the Blackberry Priv device and a series of photographs of the device and packaging in which the device was delivered are attached hereto as Exhibits M and N respectively. As shown in Exhibit N, a label on the packaging states that the product was: “Made in Mexico.”

26. The Blackberry Priv device was sold with the Google Play Music app (Version 6.0.1945S.2039625) pre-installed.

27. In order to test the functionality of the pre-installed music apps, I loaded several digital music albums in mp3 format onto the Blackberry Priv device from a PC using a Micro-USB B-type to USB A-type cable.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 24th day of March 2016 at San Mateo, California.



Gurtej Singh

EXHIBIT A

CREATIVE PUBLIC EXHIBIT 11



Final Details for Order #116-3418797-9209018

[Print this page for your records.](#)

Order Placed: February 12, 2016
Amazon.com order number: 116-3418797-9209018
Order Total: \$127.35

Shipped on February 13, 2016

Items Ordered

1 of: *ZTE Axon Pro - Factory Unlocked Phone - Phthalo Blue (U.S. Warranty)* \$399.98
 Sold by: Amazon.com LLC

Condition: New

Shipping Address:

Amazon Locker - Boyd [Map](#)
 2335 S Winchester Blvd
 Located in 7-Eleven
 Campbell, CA 95008-4058
 United States

Shipping Speed:

Same Day Pickup

Item(s) Subtotal: \$399.98
 Shipping & Handling: \$3.99
 Free Shipping: -\$3.99

 Total before tax: \$399.98
 Sales Tax: \$36.00
 Gift Card Amount: -\$308.63

Total for This Shipment: \$127.35
Total paid by Gift Card: -\$308.63

Payment information

Payment Method:

American Express | Last digits: 1008
 Gift Card

Billing address

Gurtej Singh
 411 BOREL AVE STE 350
 SAN MATEO, CA 94402-3534
 United States

Item(s) Subtotal: \$399.98
 Shipping & Handling: \$3.99
 Free Shipping: -\$3.99

 Total before tax: \$399.98
 Estimated tax to be collected: \$36.00
 Gift Card Amount: -\$308.63

Grand Total: \$127.35

Credit Card transactions

American Express ending in 1008: February 13, 2016: \$127.35

To view the status of your order, return to [Order Summary](#).

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EXHIBIT B

CREATIVE PUBLIC EXHIBIT 11



LISTEN TO AD-FREE MUSIC
amazonPrime
READ KINDLE BOOKS FOR FREE
Prime



C11230501299984 **LOCKER**

Amazon Fulfillment Services
3837 Bay Lake Trail, Suite 115
North Las Vegas NV 89030
USA

SJC

Ship To :
**AMAZON LOCKER - BOYD
GURTEJ SINGH
2335 S WINCHESTER BLVD
LOCATED IN 7-ELEVEN
CAMPBELL CA 95008-4058**

ONTRAC

Weight : 1.32 lb



D162z1Mqb/1/delivery - point - same/1 of 1/3022

OT - HAYCA

READ KINDLE BOOKS
amazonPrime
FREE UNLIMITED PHOTO STORAGE



CREATIVE PUBLIC EXHIBIT 11





CREATIVE PUBLIC EXHIBIT 11



CREATIVE PUBLIC EXHIBIT 11



EXHIBIT C

CREATIVE PUBLIC EXHIBIT 11



Final Details for Order #107-4095836-3677851

[Print this page for your records.](#)

Order Placed: February 4, 2016
Amazon.com order number: 107-4095836-3677851
Order Total: \$865.43

Shipped on February 5, 2016

Items Ordered

	Price
1 of: <i>Sony Xperia Z3+ 32GB GSM/LTE Unlocked Cell Phone - Black (U.S. Warranty)</i>	\$399.99
Sold by: Amazon.com LLC	
Condition: New	

Shipping Address:

Amazon Locker - Boyd [Map](#)
 2335 S Winchester Blvd
 Located in 7-Eleven
 Campbell, CA 95008-4058
 United States

Item(s) Subtotal:	\$399.99
Shipping & Handling:	\$1.79
Free Shipping:	-\$1.79

Total before tax:	\$399.99
Sales Tax:	\$36.00

Shipping Speed:

Same Day Pickup

Total for This Shipment: \$435.99

Shipped on February 5, 2016

Items Ordered

	Price
1 of: <i>LG G4 Unlocked - Black Leather 32GB (U.S. Warranty)</i>	\$393.98
Sold by: Amazon.com LLC	
Condition: New	

Shipping Address:

Amazon Locker - Boyd [Map](#)
 2335 S Winchester Blvd
 Located in 7-Eleven
 Campbell, CA 95008-4058
 United States

Item(s) Subtotal:	\$393.98
Shipping & Handling:	\$2.20
Free Shipping:	-\$2.20

Total before tax:	\$393.98
Sales Tax:	\$35.46

Shipping Speed:

Same Day Pickup

Total for This Shipment: \$429.44

Payment information

Payment Method:

American Express | Last digits: 1008

Item(s) Subtotal:	\$793.97
Shipping & Handling:	\$3.99
Free Shipping:	-\$3.99

CREATIVE PUBLIC EXHIBIT 11

Billing address

Gurtej Singh
411 BOREL AVE STE 350
SAN MATEO, CA 94402-3534
United States

Total before tax: \$793.97
Estimated tax to be collected: \$71.46

Grand Total:\$865.43

Credit Card transactions American Express ending in 1008: February 5, 2016:\$429.44
American Express ending in 1008: February 5, 2016:\$435.99

To view the status of your order, return to [Order Summary](#).

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EXHIBIT D

CREATIVE PUBLIC EXHIBIT 11



amazonPrime
READ KINDLE BOOKS FOR FREE
amazonPrime



C1122899953189 LOCKER

Amazon Fulfillment Services
3837 Bay Lake Trail, Suite 115
North Las Vegas NV 89030
USA

SJC

Ship To :
AMAZON LOCKER - BOYD
GURTEJ SINGH
2335 S WINCHESTER BLVD
LOCATED IN 7-ELEVEN
CAMPBELL CA 95008-4058

ONTRAC

Weight : 1.10 lb



DVrhdMVbb/1/delivery - point - same/1 of 1/3022

PRIMARY LITHIUM BATTERIES - FORBIDDEN FOR TRANSPORT
ABOARD PASSENGER AIRCRAFT

OT-HAYCA



amazonPrime
FREE UNLIMITED PHOTO STORAGE
prime



CREATIVE PUBLIC EXHIBIT 11



CE 0682



E6553 Black
SI 1294-4799 Rev 5 2G/3G/LTE

Rated for Hearing Aids: M4/T3

Made in China



43015673



IMEI : 35905706-342359-1



0 95673 86039 6



Package includes: Mobile Phone, Charger,
built-in battery, Media Cable, User
Documentation
Packaged in China from US and imported
components.

All marks are property of their respective owners.
All rights reserved.

Product meets current FCC Radio Frequency
Exposure Guidelines FCC ID: PY7-PM0791
Additional detail within and at
<http://transition.fcc.gov/oet/ea/fccid/>

Accessories contained herein are of multiple
countries of origin as indicated on the labeling of
each item.





CREATIVE PUBLIC EXHIBIT 11

SONY Exhibit 1005 - Page 924



SONY

Important information about hearing aid compatibility

Información importante acerca de la compatibilidad de audífonos

Informations importantes concernant la compatibilité avec les appareils auditifs



CREATIVE PUBLIC EXHIBIT 11

SONY Exhibit 1005 - Page 926



CREATIVE PUBLIC EXHIBIT 11

SONY Exhibit 1005 - Page 927

EXHIBIT E

CREATIVE PUBLIC EXHIBIT 11



Final Details for Order #107-1613225-6595456

Print this page for your records.

Order Placed: January 8, 2016
Amazon.com order number: 107-1613225-6595456
Order Total: \$1,012.61

Shipped on January 9, 2016

Items Ordered	Price
1 of: <i>Samsung Galaxy S6 G920F Unlocked Cell Phone - Retail Packaging - White Pearl</i> Sold by: Amazon.com LLC Condition: New	\$526.88
1 of: <i>Moto X Pure Edition Unlocked Smartphone, 16GB Black (U.S. Warranty - XT1575)</i> Sold by: Amazon.com LLC Condition: New	\$399.99

Shipping Address:
Amazon Locker - Floyd [Map](#)
678 Concar Dr
Located in 7-Eleven
San Mateo, CA 94402-2622
United States

Item(s) Subtotal:	\$926.87
Shipping & Handling:	\$0.00

Total before tax:	\$926.87
Sales Tax:	\$85.74

Total for This Shipment: \$1,012.61

Shipping Speed:
One-Day Pickup

Payment information

Payment Method:
American Express | Last digits: 1008

Item(s) Subtotal:	\$926.87
Shipping & Handling:	\$0.00

Total before tax:	\$926.87
Estimated tax to be collected:	\$85.74

Billing address
Gurtej Singh
411 BOREL AVE STE 350
SAN MATEO, CA 94402-3534
United States

Grand Total: \$1,012.61

Credit Card transactions American Express ending in 1008: January 9, 2016: \$1,012.61

To view the status of your order, return to [Order Summary](#).

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EXHIBIT F

CREATIVE PUBLIC EXHIBIT 11



READ KINDLE BOOKS FOR FREE

amazon

FREE UNLIMITED

amazon

GET FREE TWO-DAY SHIPPING

amazon Prime

WATCH MOVIES AND TV SHOWS

amazon Prime

AD-FREE MUSIC

amazon

amazon Prime

LISTEN TO AD-FREE MUSIC

amazon Prime

12X4934V1326071024
1500
PABL-4900 X
P. YELLOW S. BTMGRN L. 220
SAN MATEO CA 94402-7044
678 CONCAR DR
AMAZON LOCKER - FLOYD

Amazon Fulfillment Services
3837 Bay Lake Trail, Suite 115
North Las Vegas NV 89030
USA
AMAZON LOCKER - FLOYD

UPS - NEXT
3 LBS
PREMIUM

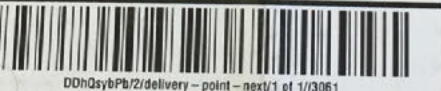
SHIP GURTEJ SINGH
TO: 678 CONCAR DR LOCATED IN 7-ELEVEN
SAN MATEO CA 94402-2622



CA 944 9 - 30

Barcode

UPS NEXT DAY AIR SAVER 1P
TRACKING #: 1Z X49 34V 13 2607 1024



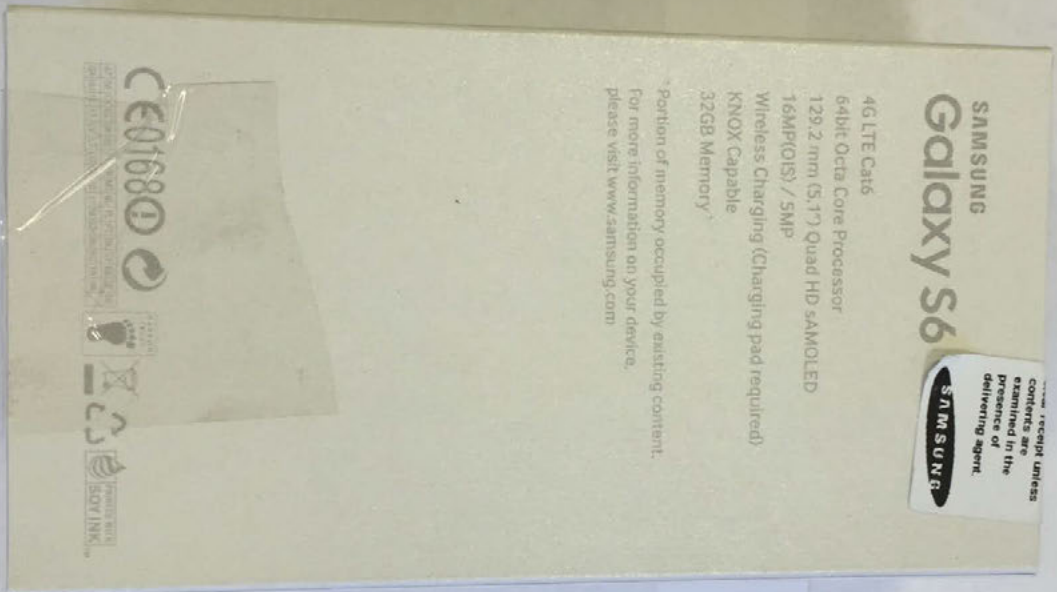
DDhQsybPb/2/delivery-point-next/1 of 1/3061

DO NOT MISS OUT
Visit amzn.to/social or scan QR code to follow Amazon on Instagram!

QR code

UPS - NEXT - EXPRESS





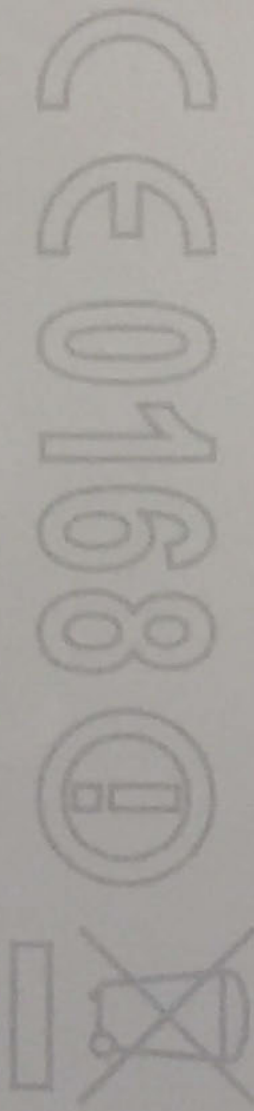


CREATIVE PUBLIC EXHIBIT 11



CREATIVE PUBLIC EXHIBIT 11





SM-G920F SAMSUNG, YATELEY, GU46 6GG, UK
MADE IN VIETNAM BY SAMSUNG
IMEI:3599937/06/113025/8 S/N:R58G40BHB9E



CREATIVE PUBLIC EXHIBIT 11

SONY Exhibit 1005 - Page 938

EXHIBIT G

CREATIVE PUBLIC EXHIBIT 11



Final Details for Order #107-4095836-3677851

[Print this page for your records.](#)

Order Placed: February 4, 2016
Amazon.com order number: 107-4095836-3677851
Order Total: \$865.43

Shipped on February 5, 2016

Items Ordered

1 of: *Sony Xperia Z3+ 32GB GSM/LTE Unlocked Cell Phone - Black (U.S. Warranty)*

Sold by: Amazon.com LLC

Condition: New

Price

\$399.99

Shipping Address:

Amazon Locker - Boyd [Map](#)
2335 S Winchester Blvd
Located in 7-Eleven
Campbell, CA 95008-4058
United States

Item(s) Subtotal: \$399.99
Shipping & Handling: \$1.79
Free Shipping: -\$1.79

Total before tax: \$399.99
Sales Tax: \$36.00

Shipping Speed:

Same Day Pickup

Total for This Shipment: \$435.99

Shipped on February 5, 2016

Items Ordered

1 of: *LG G4 Unlocked - Black Leather 32GB (U.S. Warranty)*

Sold by: Amazon.com LLC

Condition: New

Price

\$393.98

Shipping Address:

Amazon Locker - Boyd [Map](#)
2335 S Winchester Blvd
Located in 7-Eleven
Campbell, CA 95008-4058
United States

Item(s) Subtotal: \$393.98
Shipping & Handling: \$2.20
Free Shipping: -\$2.20

Total before tax: \$393.98
Sales Tax: \$35.46

Shipping Speed:

Same Day Pickup

Total for This Shipment: \$429.44

Payment information

Payment Method:

American Express | Last digits: 1008

Item(s) Subtotal: \$793.97
Shipping & Handling: \$3.99
Free Shipping: -\$3.99

CREATIVE PUBLIC EXHIBIT 11

Billing address

Gurtej Singh
411 BOREL AVE STE 350
SAN MATEO, CA 94402-3534
United States

Total before tax: \$793.97
Estimated tax to be collected: \$71.46

Grand Total:\$865.43

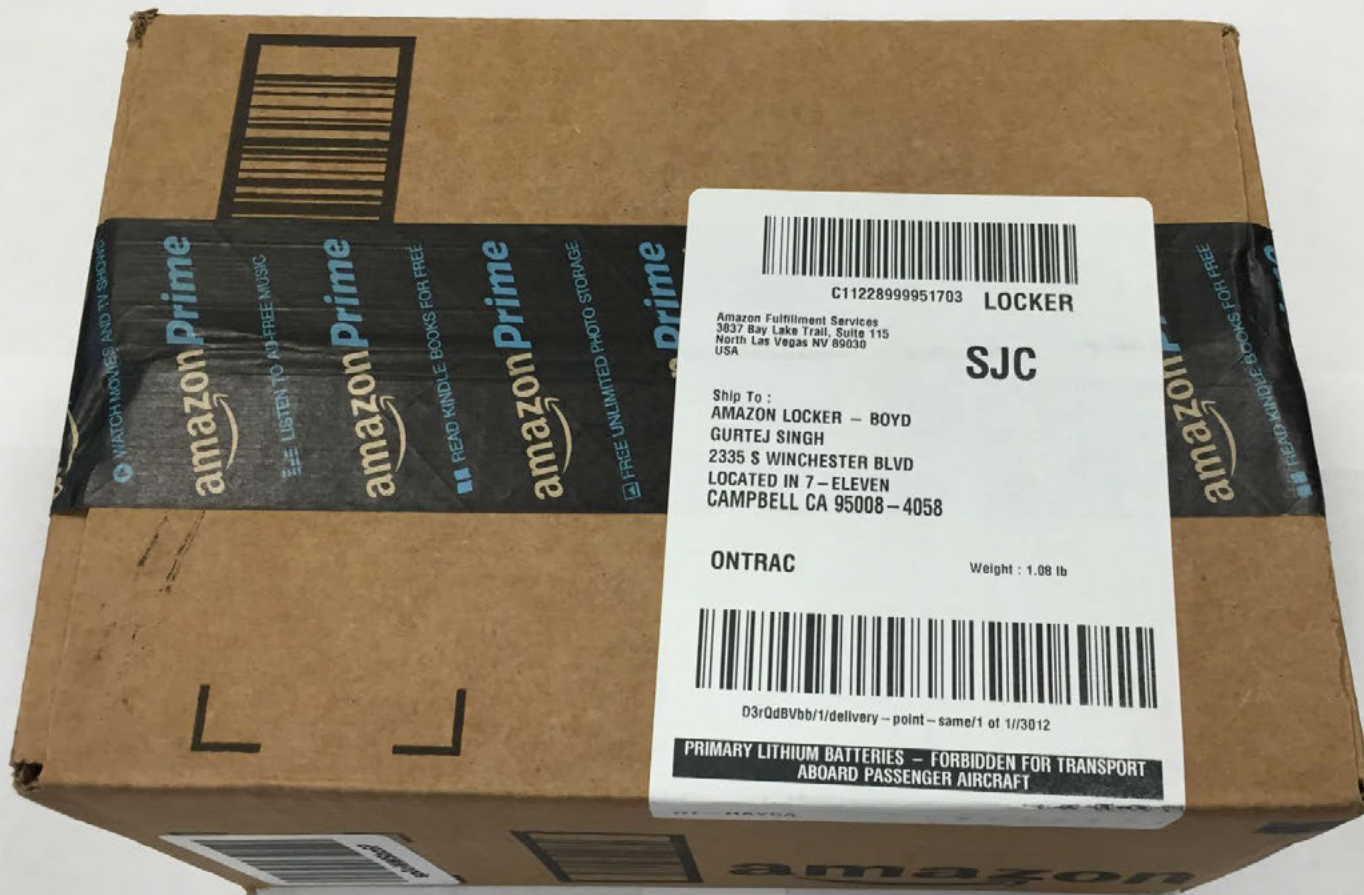
Credit Card transactions American Express ending in 1008: February 5, 2016:\$429.44
American Express ending in 1008: February 5, 2016:\$435.99

To view the status of your order, return to [Order Summary](#).

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EXHIBIT H

CREATIVE PUBLIC EXHIBIT 11



C11228999951703 LOCKER

Amazon Fulfillment Services
3637 Bay Lake Trail, Suite 115
North Las Vegas NV 89030
USA

SJC

Ship To:
AMAZON LOCKER - BOYD
GURTEJ SINGH
2335 S WINCHESTER BLVD
LOCATED IN 7-ELEVEN
CAMPBELL CA 95008-4058

ONTRAC

Weight : 1.08 lb

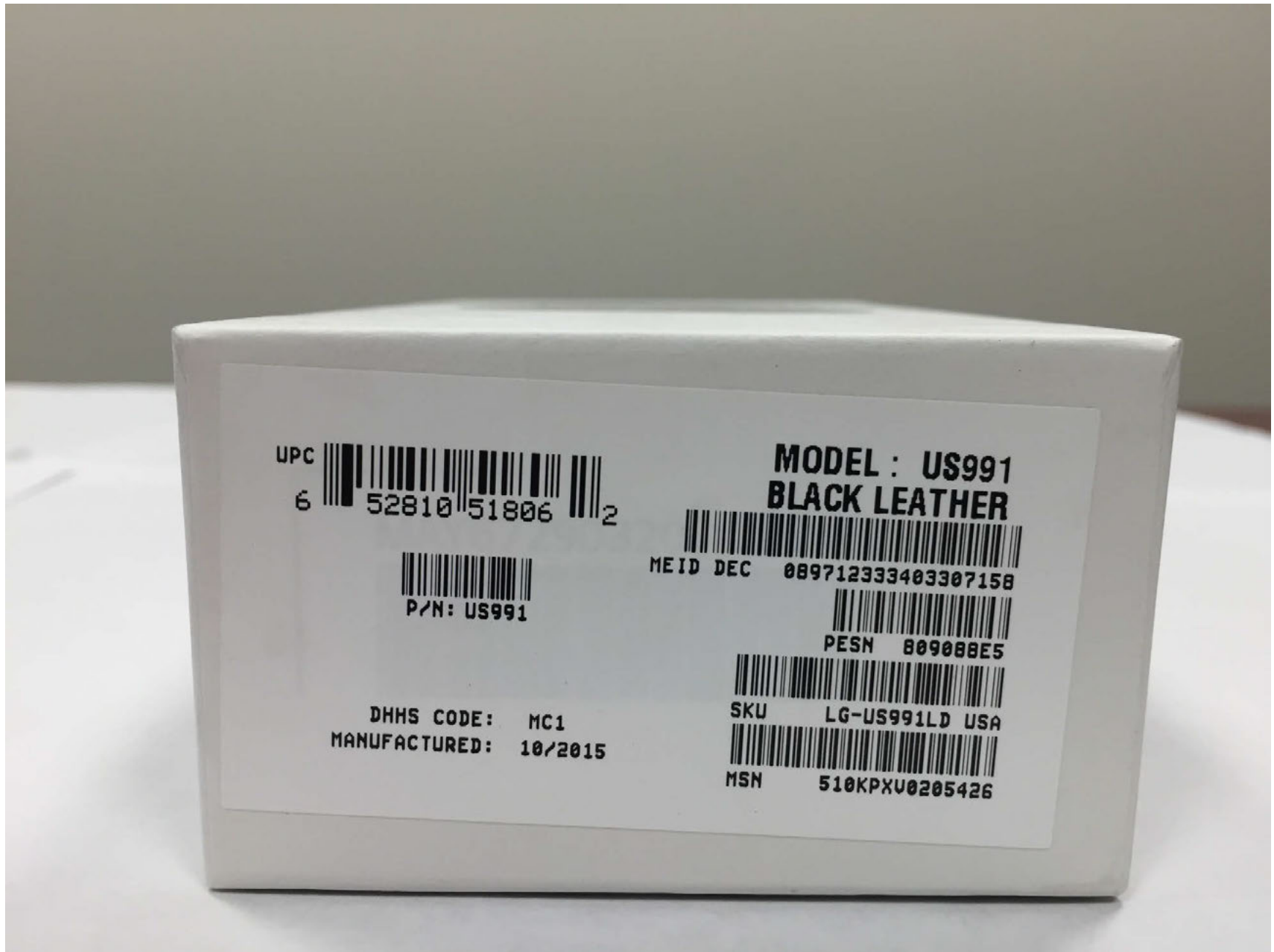


D3rQd8Vbb/1/delivery - point - same/1 of 1/30/12

PRIMARY LITHIUM BATTERIES - FORBIDDEN FOR TRANSPORT
ABOARD PASSENGER AIRCRAFT



CREATIVE PUBLIC EXHIBIT 11



UPC
6 52810 51806 2

MODEL : US991
BLACK LEATHER

P/N: US991

MEID DEC 089712333403307158

PESN 809088E5

DHHS CODE: MC1
MANUFACTURED: 10/2015

SKU LG-US991LD USA

MSN 510KPXU0205426



G4™

Qualcomm®
snapdragon



1.38.8 mm (5.5")
IPS Quantum Display



16MP
LaserCam F1.8



8MP
Selfie Camera



Color Spectrum
Sensor

* This Box Contains :

LG G4™, Travel Adaptor, Battery, Battery Cover,
Quick Start Guide, Data Cable

Products meet current FCC Radio Frequency
Exposure Guidelines. FCC Equipment
Authorization ID: ZNFUS991
Additional details within and
at <http://www.fcc.gov/oet/ea/fccid/>



Rated for Hearing Aids : M3, T3



* Phone made in Korea with Korean and foreign components.

* Complete Product Safety and Warranty Brochure, including binding
arbitration agreement, are inside this product packaging and are also
available at www.lg.com/us/g4/legalterms

LG Electronics Inc. www.lg.com



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SONY Exhibit 1005 - Page 947



EXHIBIT I

CREATIVE PUBLIC EXHIBIT 11



Final Details for Order #107-1613225-6595456

Print this page for your records.

Order Placed: January 8, 2016
Amazon.com order number: 107-1613225-6595456
Order Total: \$1,012.61

Shipped on January 9, 2016

Items Ordered	Price
1 of: <i>Samsung Galaxy S6 G920F Unlocked Cell Phone - Retail Packaging - White Pearl</i> Sold by: Amazon.com LLC Condition: New	\$526.88
1 of: <i>Moto X Pure Edition Unlocked Smartphone, 16GB Black (U.S. Warranty - XT1575)</i> Sold by: Amazon.com LLC Condition: New	\$399.99

Shipping Address:
Amazon Locker - Floyd [Map](#)
678 Concar Dr
Located in 7-Eleven
San Mateo, CA 94402-2622
United States

Item(s) Subtotal:	\$926.87
Shipping & Handling:	\$0.00

Total before tax:	\$926.87
Sales Tax:	\$85.74

Total for This Shipment: \$1,012.61

Shipping Speed:
One-Day Pickup

Payment information

Payment Method:
American Express | Last digits: 1008

Item(s) Subtotal:	\$926.87
Shipping & Handling:	\$0.00

Total before tax:	\$926.87
Estimated tax to be collected:	\$85.74

Billing address
Gurtej Singh
411 BOREL AVE STE 350
SAN MATEO, CA 94402-3534
United States

Grand Total: \$1,012.61

Credit Card transactions American Express ending in 1008: January 9, 2016: \$1,012.61

To view the status of your order, return to [Order Summary](#).

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EXHIBIT J

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READ KINDLE BOOKS FOR FREE
 amazon
 FREE UNLIMITED
 amazon
 GET FREE TWO-DAY SHIPPING
 amazonPrime
 WATCH MOVIES AND TV SHOWS
 amazonPrime
 AD-FREE MUSIC

AMAZON LOCKER - FLOYD
 678 CONCAR DR
 SAN MATEO CA 94402 - 7044
 P. YELLOW S. BINGHIN I. 220
 X
 1500
 1024
 12X4934V1326071024

Amazon Fulfillment Services
 3837 Bay Lake Trail, Suite 116
 North Las Vegas NV 89030
 USA
 AMAZON LOCKER - FLOYD
 SHIP TO: GURTEJ SINGH
 678 CONCAR DR LOCATED IN 7-ELEVEN
 SAN MATEO CA 94402-2622

UPS - NEXT
 3 LBS
 PREMIUM

CA 944 9 - 30




UPS NEXT DAY AIR SAVER 1P
 TRACKING #: 1Z X49 34V 13 2607 1024





 D0hQsybPb/2/delivery - point - next/1 of 1/3061

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UPS - NEXT - EXPRESS

amazon
 LISTEN TO AD-FREE MUSIC
 amazonPrime



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MOTOROLA BLK/GRAY/BLK
XT1575 Moto X Pure Edition 16GB

FCC ID: IHDT56UC1
SeO #: T151102U-077
Type: M1410 7 23755 00921 9

IMEI: 355486061022176
MEID (HEX): 35548606102217
SKU: 00921NARTL

M4
T4

CE0168 !
Phone made in China.
Accessories individually marked.

Packaging Recyclable BC

56014680001



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EXHIBIT K

CREATIVE PUBLIC EXHIBIT 11

Order Receipt

BestBuy.com

Feb
13
2016

Order Number: BBY01-781358034431

Order Status: Picked Up
Products & Services: 1

Payment Method

American Express ****1008	Gurtej Singh	\$326.99
	411 BOREL AVE	
	STE 350	
	SAN MATEO, CA 94402 US	

Order Summary

Product Total	\$299.99
Sales Tax, Fees & Surcharges	\$27.00
Order Total	\$326.99

Item Details

<p>HTC - One (M9) 4G with 32GB Memory Cell Phone - Silver (AT&T)</p> <p>Model: HTC ONE M9 SILVER SKU: 3930069 Quantity: 1</p> <p>Status: Picked Up</p> <p>Your item was picked up on 02/13/2016</p>	<p>Store Pickup</p> <p>SAN CARLOS CA (http://stores.bestbuy.com/140)</p> <p>Will be picked up by:</p> <p>Gurtej Singh tsingh@farneydaniels.com</p>	<p>Item Total \$326.99</p> <p>Product Price \$299.99</p> <p>Sales Tax, Fees & Surcharges \$27.00</p>
--	--	--

Customers Who Bought These Items Also Bought

 <p><small>(Phone sold separately)</small></p>	 <p><small>(Phone sold separately)</small></p>	 <p><small>(Phone sold separately)</small></p>	 <p><small>(Phone sold separately)</small></p>	 <p><small>(Phone sold separately)</small></p>
<p>OtterBox - Defender Series Case for HTC One (M9) Cell Phones - Black</p> <p>(http://www.bestbuy.com/site/otterbox-defender-series-case-for-htc-one-m9-cell-phones-black/4402025.p?skuId=1219629072879&skuld=4402025) (25)</p>	<p>ZAGG - InvisibleShield Glass Screen Protector for HTC One (M9) Cell Phones - Clear</p> <p>(http://www.bestbuy.com/site/zagg-invisibleshield-glass-screen-protector-for-htc-one-m9-cell-phones-clear/3630026.p?skuId=1219592101982&skuld=3630026) (25)</p>	<p>OtterBox - Commuter Series Case for HTC One (M9) Cell Phones - White/Gunmetal Gray</p> <p>(http://www.bestbuy.com/site/otterbox-commuter-series-case-for-htc-one-m9-cell-phones-white-gunmetal-gray/4400009.p?skuId=1219629068847&skuld=4400009) (19)</p>	<p>Insignia™ - Soft-Shell Case for HTC One (M9) Cell Phones - Clear</p> <p>(http://www.bestbuy.com/site/insignia-soft-shell-case-for-htc-one-m9-cell-phones-clear/3924226.p?skuId=1219607607067&skuld=3924226) (13)</p>	<p>Speck - Candyshell Grip Case for HTC One (M9) Cell Phones - Blue/Pink</p> <p>(http://www.bestbuy.com/site/speck-candyshell-grip-case-for-htc-one-m9-cell-phones-blue-pink/3993607.p?skuId=1219613159832&skuld=3993607) (8)</p>

defender-series-case-for-htc-one-m9-cell-phones-clear/3630026#tabbed-customerreviews)	invisible-shield-glass-screen-protector-for-htc-one-m9-cell-phones-clear/3630026#tabbed-customerreviews)	crucial-for-htc-one-m9-white-gunmetal-gray/440009#tabbed-customerreviews)	the-1219629072879&skuld=4400009#tabbed-customerreviews)	1219629072879&skuld=392227#skuld=3993607:customerreviews)	1219629072879&skuld=4400009#tabbed-customerreviews)	1219629072879&skuld=392227#skuld=3993607:customerreviews)
				\$14.99		\$24.99
\$49.95	\$39.99	\$34.95				

EXHIBIT L

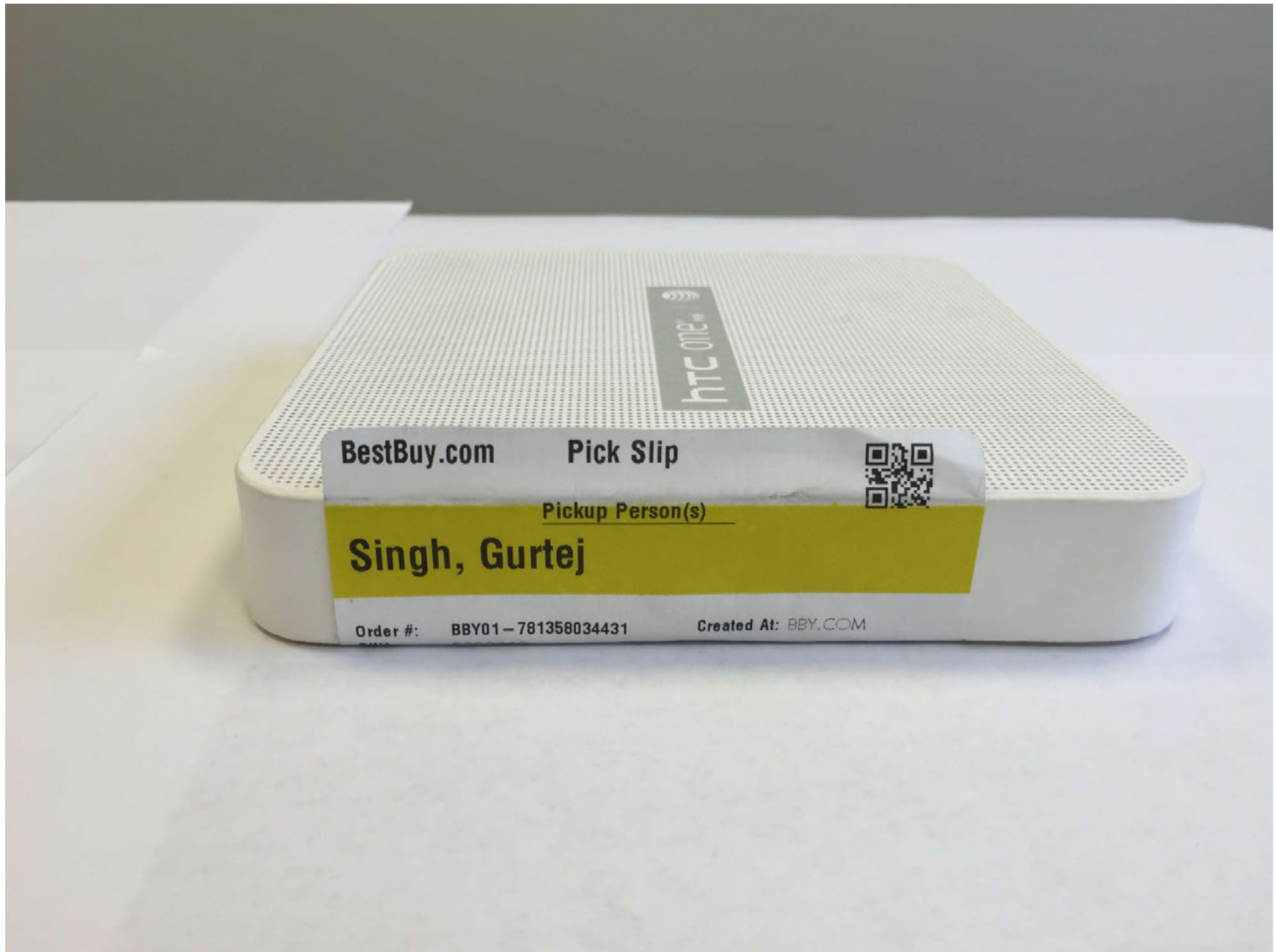
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CREATIVE PUBLIC EXHIBIT 11



htc.com

Platform	Android™ with HTC Sense™	Package	- HTC D - AC chg - Micro- - SIM ad - SIM ca - Quick
CPU	Qualcomm® Snapdragon™ 810, quad-core 64-bit	Data Protection	Model # ATHTCONE Description: HTC ONE X9 - GOLD ON SILVER Comments: Please scratch the cap to the product
SIM card type	nano SIM	Package Date:	02/13/2016
Memory*	Internal memory: 32 GB / RAM: 3 GB Extended memory: microSD™ up to 128 GB	Print Date:	02/13/2016
Display	5.0 inch, Full HD 1080p	HW ID:	15727081045470
Sound**	HTC BoomSound™ with Dolby Audio™		
Camera	Main camera: 20MP, auto-focus, BSI sensor, 1/2.2, 27.8mm lens, 4K video recording Front Camera: UltraPixel™, BSI sensor, 1/2.0, 26.8mm lens, 1080p video recording		
Connectivity	3.5mm stereo audio jack, NFC, Bluetooth® 4.1, Wi-Fi, DLNA®, 4G LTE™ enabled, GPS/AGPS+GLONASS		

*Available storage is less due to phone software and app usage and is subject to change based on software updates and apps usage. Go to htc.com to find out more.

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Dolby and Dolby Audio are trademarks or registered trademarks of Dolby Laboratories

Contains Lithium Ion battery - dispose according to local regulations and not as household waste. EN60950-2 - see each item for country of origin. Product contains small parts - keep out of children's reach. RAL MS/14, AT&T, the AT&T logo and all other AT&T marks contained herein are trademarks of AT&T Intellectual Property and/or AT&T Intellectual Property. Other marks contained herein are the property of their respective owners. AT&T Eco-Rating only apply for limited factors evaluated, visit att.com/ecospace

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This product may be protected by US patents listed at <http://www.htc.com/vj/virtual-patent-marking/>

This box is 98% composed of recyclable paper and cardboard. It is made 79% from fast-growing bagasse (a sugar cane product) and bamboo. And it was printed using vegetable-based ink rather than petroleum-based ink.

S/N: HT53MYJ07669 ICCID: 89014103267743274874

99HADH003-00 FCC ID: NM80PJA110 Made in Taiwan

Contains Li-ion battery. Recycle or dispose of properly.

7796235-00M Rev.A

Contains Lithium Ion battery - dispose according to local regulations and not as household waste. End
- see each item for country of origin. Product contains small parts - keep out of children's reach. RA
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For limited factors evaluated, visit att.com/ecospace.

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Qualcomm Inc. microSD is a trademark of SD-3C, LLC. LTE is a trademark of ETSI. Bluetooth is a trademark of Bluetooth Sig. Inc. DL
a trademark of Digital Living Network Alliance. Wi-Fi is a trademark of the Wi-Fi Alliance. Blackfire research™ is a registered tradem
(No. 3,898,359) of Blackfire research corp. Applicable carrier network and data plan required for 4G LTE. 4G LTE not available
everywhere. Contains Li-ion battery. Recycle or dispose of properly. Screen images simulated.
This product may be protected by US patents listed at <http://www.htc.com/us/virtual-patent-marking/>

cup Date: 02/13/2016

SVR2

This box is 98% composed of recyclable paper and cardboard. It is made
79% from fast-growing bagasse (a sugar cane product) and bamboo.
And it was printed using vegetable-based ink rather than petroleum-based ink.



protection



S/N: HT53MYJ07669



ICCID: 89014103287743274874



99HADH003-00

FCC ID: NM80PJA110

Made in Taiwan

Contains Li-ion battery. Recycle or dispose of properly.



77H02325-05M Rev.A



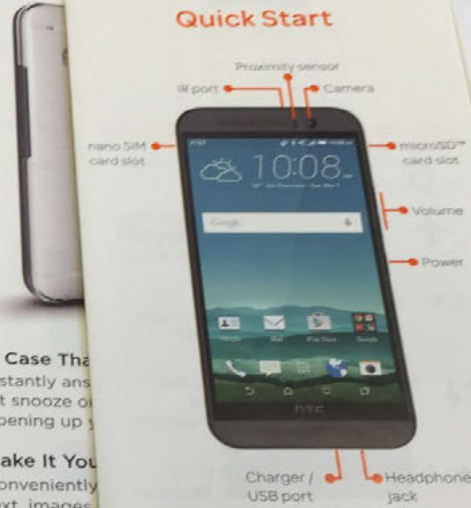
g
One M9
out

TEXTING & DRIVING...
it can wait

htc

HTC

Quick Start



A Case That
Instantly answers
hit snooze or
opening up

Make It Your
Conveniently
text, images,

Putting the
Play the new
phone for a t

Stay In The
Support for t
track of your
Google+ accounts easier.

Need more help? Go to [Apps > Device Help](#)

htc one M9



htc

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CREATIVE PUBLIC EXHIBIT 11



CREATIVE PUBLIC EXHIBIT 11



CREATIVE PUBLIC EXHIBIT 11

EXHIBIT M

CREATIVE PUBLIC EXHIBIT 11



Final Details for Order #116-8986938-6424247

[Print this page for your records.](#)

Order Placed: February 12, 2016
Amazon.com order number: 116-8986938-6424247
Order Total: \$760.71

Shipped on February 14, 2016

Items Ordered

1 of: *Priv Blackberry Unlocked Smartphone - Black (U.S. Warranty)*
Sold by: Amazon.com LLC

Price

\$697.90

Condition: New

Shipping Address:

Amazon Locker - Boyd [Map](#)
2335 S Winchester Blvd
Located in 7-Eleven
Campbell, CA 95008-4058
United States

Item(s) Subtotal: \$697.90
Shipping & Handling: \$0.00

Total before tax: \$697.90
Sales Tax: \$62.81

Total for This Shipment: \$760.71

Shipping Speed:

Two-Day Pickup

Payment information

Payment Method:

American Express | Last digits: 1008

Item(s) Subtotal: \$697.90
Shipping & Handling: \$0.00

Billing address

Gurtej Singh
411 BOREL AVE STE 350
SAN MATEO, CA 94402-3534
United States

Total before tax: \$697.90
Estimated tax to be collected: \$62.81

Grand Total: \$760.71

Credit Card transactions

American Express ending in 1008: February 14, 2016: \$760.71

To view the status of your order, return to [Order Summary](#).

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EXHIBIT N

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English

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Français

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Español

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简体中文

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Italiano

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Deutsch

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Português (Brasil)

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 BlackBerry



SlimPort™

QUALCOMM™

BlackBerry Limited
2300 University Avenue East
Waterloo, Ontario, Canada, N2K 6A7

 Qualcomm® Quick Charge™ 2.0

Android is a trademark of Google Inc. Used under license.

Device compatible with Qualcomm® Quick Charge™ 2.0



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SONY Exhibit 1005 - Page 977



CREATIVE PUBLIC EXHIBIT 11



CREATIVE PUBLIC EXHIBIT 11

SONY Exhibit 1005 - Page 979



CREATIVE PUBLIC EXHIBIT 11

EXHIBIT 12

APPLE INC

FORM 10-K (Annual Report)

Filed 10/28/15 for the Period Ending 09/26/15

Address	ONE INFINITE LOOP CUPERTINO, CA 95014
Telephone	(408) 996-1010
CIK	0000320193
Symbol	AAPL
SIC Code	3571 - Electronic Computers
Industry	Computer Hardware
Sector	Technology
Fiscal Year	09/27

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended September 26, 2015
- 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: 001-36743



Apple Inc.

(Exact name of Registrant as specified in its charter)

California
(State or other jurisdiction of incorporation or organization)

1 Infinite Loop
Cupertino, California
(Address of principal executive offices)

94-2404110
(I.R.S. Employer Identification No.)

95014
(Zip Code)

(408) 996-1010

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$0.00001 par value per share

1.000% Notes due 2022
1.625% Notes due 2026
3.05% Notes due 2029
3.60% Notes due 2042
1.375% Notes due 2024
2.000% Notes due 2027
(Title of class)

The NASDAQ Stock Market LLC
New York Stock Exchange LLC
New York Stock Exchange LLC
New York Stock Exchange LLC
New York Stock Exchange LLC
New York Stock Exchange LLC
New York Stock Exchange LLC
(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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 No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the Registrant, as of March 27, 2015, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately \$709,923,000,000. Solely for purposes of this disclosure, shares of common stock held by executive officers and directors of the Registrant as of such date have been excluded because such persons may be deemed to be affiliates. This determination of executive officers and directors as affiliates is not necessarily a conclusive determination for any other purposes.

5,575,331,000 shares of common stock were issued and outstanding as of October 9, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement relating to its 2016 annual meeting of shareholders (the "2016 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2016 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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Apple Inc.
Form 10-K
For the Fiscal Year Ended September 26, 2015

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This Annual Report on Form 10-K ("Form 10-K") contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Many of the forward-looking statements are located in Part II, Item 7 of this Form 10-K under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as "future," "anticipates," "believes," "estimates," "expects," "intends," "will," "would," "could," "can," "may," and similar terms. Forward-looking statements are not guarantees of future performance and the Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of this Form 10-K under the heading "Risk Factors," which are incorporated herein by reference. All information presented herein is based on the Company's fiscal calendar. Unless otherwise stated, references to particular years, quarters, months or periods refer to the Company's fiscal years ended in September and the associated quarters, months and periods of those fiscal years. Each of the terms the "Company" and "Apple" as used herein refers collectively to Apple Inc. and its wholly-owned subsidiaries, unless otherwise stated. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

PART I

Item 1. Business

Company Background

The Company designs, manufactures and markets mobile communication and media devices, personal computers and portable digital music players, and sells a variety of related software, services, accessories, networking solutions and third-party digital content and applications. The Company's products and services include iPhone®, iPad®, Mac®, iPod®, Apple Watch®, Apple TV®, a portfolio of consumer and professional software applications, iOS, OS X® and watchOS™ operating systems, iCloud®, Apple Pay® and a variety of accessory, service and support offerings. In September 2015, the Company announced a new Apple TV, tvOS™ operating system and Apple TV App Store®, which are expected to be available by the end of October 2015. The Company sells and delivers digital content and applications through the iTunes Store®, App Store, Mac App Store, iBooks Store™ and Apple Music™ (collectively "Internet Services"). The Company sells its products worldwide through its retail stores, online stores and direct sales force, as well as through third-party cellular network carriers, wholesalers, retailers and value-added resellers. In addition, the Company sells a variety of third-party Apple compatible products, including application software and various accessories through its online and retail stores. The Company sells to consumers, small and mid-sized businesses and education, enterprise and government customers. The Company's fiscal year is the 52 or 53-week period that ends on the last Saturday of September. The Company is a California corporation established in 1977.

Business Strategy

The Company is committed to bringing the best user experience to its customers through its innovative hardware, software and services. The Company's business strategy leverages its unique ability to design and develop its own operating systems, hardware, application software and services to provide its customers products and solutions with innovative design, superior ease-of-use and seamless integration. As part of its strategy, the Company continues to expand its platform for the discovery and delivery of digital content and applications through its Internet Services, which allows customers to discover and download digital content, iOS, Mac and Apple Watch applications, and books through either a Mac or Windows-based computer or through iPhone, iPad and iPod touch® devices ("iOS devices") and Apple Watch. The Company also supports a community for the development of third-party software and hardware products and digital content that complement the Company's offerings. The Company believes a high-quality buying experience with knowledgeable salespersons who can convey the value of the Company's products and services greatly enhances its ability to attract and retain customers. Therefore, the Company's strategy also includes building and expanding its own retail and online stores and its third-party distribution network to effectively reach more customers and provide them with a high-quality sales and post-sales support experience. The Company believes ongoing investment in research and development ("R&D"), marketing and advertising is critical to the development and sale of innovative products and technologies.

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Business Organization

The Company manages its business primarily on a geographic basis. In 2015, the Company changed its reportable operating segments as management began reporting business performance and making decisions primarily on a geographic basis, including the results of its retail stores in each respective geographic segment. Accordingly, the Company's reportable operating segments consist of the Americas, Europe, Greater China, Japan and Rest of Asia Pacific. The Americas segment includes both North and South America. The Europe segment includes European countries, as well as India, the Middle East and Africa. The Greater China segment includes China, Hong Kong and Taiwan. The Rest of Asia Pacific segment includes Australia and those Asian countries not included in the Company's other reportable operating segments. Although each reportable operating segment provides similar hardware and software products and similar services, they are managed separately to better align with the location of the Company's customers and distribution partners and the unique market dynamics of each geographic region. Further information regarding the Company's reportable operating segments may be found in Part II, Item 7 of this Form 10-K under the subheading "Segment Operating Performance," and in Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 11, "Segment Information and Geographic Data."

Products

iPhone

iPhone is the Company's line of smartphones based on its iOS operating system. iPhone includes Siri[®], a voice activated intelligent assistant, and Apple Pay and Touch ID[™] on qualifying devices. In September 2015, the Company introduced iPhone 6s and 6s Plus, featuring 3D Touch, which senses force to access features and interact with content and apps. iPhone works with the iTunes Store, App Store and iBooks Store for purchasing, organizing and playing digital content and apps. iPhone is compatible with both Mac and Windows personal computers and Apple's iCloud services, which provide synchronization across users' devices.

iPad

iPad is the Company's line of multi-purpose tablets based on its iOS operating system, which includes iPad Air[®] and iPad mini[™]. iPad includes Siri and also includes Touch ID on qualifying devices. In September 2015, the Company announced the new iPad Pro[™], featuring a 12.9-inch Retina[®] display, which is expected to be available in November 2015. iPad works with the iTunes Store, App Store and iBooks Store for purchasing, organizing and playing digital content and apps. iPad is compatible with both Mac and Windows personal computers and Apple's iCloud services.

Mac

Mac is the Company's line of desktop and portable personal computers based on its OS X operating system. The Company's desktop computers include iMac[®], 21.5" iMac with Retina 4K Display, 27" iMac with Retina 5K Display, Mac Pro[®] and Mac mini. The Company's portable computers include MacBook[®], MacBook Air[®], MacBook Pro[®] and MacBook Pro with Retina display.

Operating System Software

iOS

iOS is the Company's Multi-Touch[™] operating system that serves as the foundation for iOS devices. Devices running iOS are compatible with both Mac and Windows personal computers and Apple's iCloud services. In September 2015, the Company released iOS 9, which provides more search abilities and improved Siri features. iOS 9 also introduced new multitasking features designed specifically for iPad, including Slide Over and Split View, which allow users to work with two apps simultaneously, and Picture-in-Picture that allows users to watch a video while using another application.

OS X

OS X is the Company's Mac operating system and is built on an open-source UNIX-based foundation and provides an intuitive and integrated computer experience. Support for iCloud is built into OS X so users can access content and information from Mac, iOS devices and other supported devices and access downloaded content and apps from the iTunes Store. OS X El Capitan, released in September 2015, is the 12th major release of OS X and incorporates additional window management features, including Split View and the new Spaces Bar in Mission Control[®], which provides users an intuitive way to group applications.

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watchOS

watchOS is the Company's operating system for Apple Watch. Released in September 2015, watchOS 2 is the first major software update for Apple Watch, providing users with new features, including new watch faces, the ability to add third-party app information on watch faces, Time Travel, and additional communication capabilities in Mail, Friends and Digital Touch. watchOS 2 also gives developers the ability to build native apps for Apple Watch.

tvOS

In September 2015, the Company announced tvOS, its operating system for the new Apple TV, which is expected to be available at the end of October 2015. The tvOS operating system is based on the Company's iOS platform and will enable developers to create new apps and games specifically for Apple TV and deliver them to customers through the new Apple TV App Store.

Application Software

The Company's application software includes iLife[®], iWork[®] and various other software, including Final Cut Pro[®], Logic[®] Pro X and FileMaker[®] Pro. iLife is the Company's consumer-oriented digital lifestyle software application suite included with all Mac computers and features iMovie[®], a digital video editing application, and GarageBand[®], a music creation application that allows users to play, record and create music. iWork is the Company's integrated productivity suite included with all Mac computers and is designed to help users create, present and publish documents through Pages[®], presentations through Keynote[®] and spreadsheets through Numbers[®]. The Company also has Multi-Touch versions of iLife and iWork applications designed specifically for use on iOS devices, which are available as free downloads for all new iPhones and iPads.

Services

Internet Services

The iTunes Store, available for iOS devices, Mac and Windows personal computers and Apple TV, allows customers to purchase and download music and TV shows, rent or purchase movies and download free podcasts. The App Store, available for iOS devices, allows customers to discover and download apps and purchase in-app content. The Mac App Store, available for Mac computers, allows customers to discover, download and install Mac applications. The iBooks Store, available for iOS devices and Mac computers, features e-books from major and independent publishers. Apple Music offers users a curated listening experience with on-demand radio stations that evolve based on a user's play or download activity and a subscription-based internet streaming service that also provides unlimited access to the Apple Music library. In September 2015, the Company announced the Apple TV App Store, which provides customers access to apps and games specifically for the new Apple TV.

iCloud

iCloud is the Company's cloud service which stores music, photos, contacts, calendars, mail, documents and more, keeping them up-to-date and available across multiple iOS devices, Mac and Windows personal computers and Apple TV. iCloud services include iCloud DriveSM, iCloud Photo Library, Family Sharing, Find My iPhone, Find My Friends, Notes, iCloud Keychain[®] and iCloud Backup for iOS devices.

AppleCare

AppleCare[®] offers a range of support options for the Company's customers. These include assistance that is built into software products, printed and electronic product manuals, online support including comprehensive product information as well as technical assistance, the AppleCare Protection Plan ("APP") and the AppleCare+ Protection Plan ("AC+"). APP is a fee-based service that typically extends the service coverage of phone support, hardware repairs and dedicated web-based support resources for Mac, Apple TV and display products. AC+ is a fee-based service offering additional coverage under some circumstances for instances of accidental damage in addition to the services offered by APP and is available in certain countries for iPhone, iPad, Apple Watch and iPod.

Apple Pay

Apple Pay is the Company's mobile payment service available in the U.S. and U.K. that offers an easy, secure and private way to pay. Apple Pay allows users to pay for purchases in stores accepting contactless payments and to pay for purchases within participating apps on qualifying devices. Apple Pay accepts credit and debit cards across major card networks and also supports reward programs and store-issued credit and debit cards.

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Other Products

Accessories

The Company sells a variety of Apple-branded and third-party Mac-compatible and iOS-compatible accessories, including Apple TV, Apple Watch, headphones, displays, storage devices, Beats products, and various other connectivity and computing products and supplies.

Apple TV

Apple TV connects to consumers' TVs and enables them to access digital content directly for streaming high definition video, playing music and games, and viewing photos. Content from Apple Music and other media services are also available on Apple TV. Apple TV allows streaming digital content from Mac and Windows personal computers through Home Share and through AirPlay[®] from compatible Mac and iOS devices. In September 2015, the Company announced the new Apple TV running on the Company's tvOS operating system and based on apps built for the television. Additionally, the new Apple TV remote features Siri, allowing users to search and access content with their voice. The new Apple TV is expected to be available at the end of October 2015.

Apple Watch

Apple Watch is a personal electronic device that combines the watchOS user interface and technologies created specifically for a smaller device, including the Digital Crown, a unique navigation tool that allows users to seamlessly scroll, zoom and navigate, and Force Touch, a technology that senses the difference between a tap and a press and allows users to access controls within apps. Apple Watch enables users to communicate in new ways from their wrist, track their health and fitness through activity and workout apps, and includes Siri and Apple Pay.

iPod

iPod is the Company's line of portable digital music and media players, which includes iPod touch, iPod nano[®] and iPod shuffle[®]. All iPods work with iTunes to purchase and synchronize content. iPod touch, based on the Company's iOS operating system, is a flash-memory-based iPod that works with the iTunes Store, App Store and iBooks Store for purchasing and playing digital content and apps.

Developer Programs

The Company's developer programs support app developers with building, testing and distributing apps for iOS, Mac, Apple Watch and the new Apple TV. Developer program membership provides access to beta software, the ability to integrate advanced app capabilities (e.g., iCloud, Game Center and Apple Pay), distribution on the App Store, access to App Analytics, and code-level technical support. Developer programs also exist for businesses creating apps for internal use (the Apple Developer Enterprise Program) and developers creating accessories for Apple devices (the MFi Program). All developers, even those who are not developer program members, can sign in with their Apple ID to post on the Apple Developer Forums and use Xcode[®], the Company's integrated development environment for creating apps for Apple platforms. Xcode includes project management tools; analysis tools to collect, display and compare app performance data; simulation tools to locally run, test and debug apps; and tools to simplify the design and development of user interfaces. All developers also have access to extensive technical documentation and sample code.

Markets and Distribution

The Company's customers are primarily in the consumer, small and mid-sized business, education, enterprise and government markets. The Company sells its products and resells third-party products in most of its major markets directly to consumers and small and mid-sized businesses through its retail and online stores and its direct sales force. The Company also employs a variety of indirect distribution channels, such as third-party cellular network carriers, wholesalers, retailers and value-added resellers. During 2015, the Company's net sales through its direct and indirect distribution channels accounted for 26% and 74%, respectively, of total net sales.

The Company believes that sales of its innovative and differentiated products are enhanced by knowledgeable salespersons who can convey the value of the hardware and software integration and demonstrate the unique solutions that are available on its products. The Company further believes providing direct contact with its targeted customers is an effective way to demonstrate the advantages of its products over those of its competitors and providing a high-quality sales and after-sales support experience is critical to attracting new and retaining existing customers.

To ensure a high-quality buying experience for its products in which service and education are emphasized, the Company continues to build and improve its distribution capabilities by expanding the number of its own retail stores worldwide. The Company's retail stores are typically located at high-traffic locations in quality shopping malls and urban shopping districts. By operating its own stores and locating them in desirable high-traffic locations the Company is better positioned to ensure a high quality customer buying experience and attract new customers. The stores are designed to simplify and enhance the presentation and marketing of the Company's products and related solutions. The retail stores employ experienced and knowledgeable personnel who provide product advice, service and training and offer a wide selection of third-party hardware, software and other accessories that complement the Company's products.

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The Company has also invested in programs to enhance reseller sales by placing high-quality Apple fixtures, merchandising materials and other resources within selected third-party reseller locations. Through the Apple Premium Reseller Program, certain third-party resellers focus on the Apple platform by providing a high level of product expertise, integration and support services.

The Company is committed to delivering solutions to help educators teach and students learn. The Company believes effective integration of technology into classroom instruction can result in higher levels of student achievement and has designed a range of products, services and programs to address the needs of education customers. The Company also supports mobile learning and real-time distribution of, and access to, education related materials through iTunes U, a platform that allows students and teachers to share and distribute educational media online. The Company sells its products to the education market through its direct sales force, select third-party resellers and its online and retail stores.

The Company also sells its hardware and software products to enterprise and government customers in each of its reportable operating segments. The Company's products are deployed in these markets because of their performance, productivity, ease of use and seamless integration into information technology environments. The Company's products are compatible with thousands of third-party business applications and services, and its tools enable the development and secure deployment of custom applications as well as remote device administration.

No single customer accounted for more than 10% of net sales in 2015, 2014 or 2013.

Competition

The markets for the Company's products and services are highly competitive and the Company is confronted by aggressive competition in all areas of its business. These markets are characterized by frequent product introductions and rapid technological advances that have substantially increased the capabilities and use of mobile communication and media devices, personal computers and other digital electronic devices. The Company's competitors that sell mobile devices and personal computers based on other operating systems have aggressively cut prices and lowered their product margins to gain or maintain market share. The Company's financial condition and operating results can be adversely affected by these and other industry-wide downward pressures on gross margins. Principal competitive factors important to the Company include price, product features (including security features), relative price and performance, product quality and reliability, design innovation, a strong third-party software and accessories ecosystem, marketing and distribution capability, service and support and corporate reputation.

The Company is focused on expanding its market opportunities related to personal computers and mobile communication and media devices. These markets are highly competitive and include many large, well-funded and experienced participants. The Company expects competition in these markets to intensify significantly as competitors attempt to imitate some of the features of the Company's products and applications within their own products or, alternatively, collaborate with each other to offer solutions that are more competitive than those they currently offer. These markets are characterized by aggressive pricing practices, frequent product introductions, evolving design approaches and technologies, rapid adoption of technological and product advancements by competitors and price sensitivity on the part of consumers and businesses.

The Company's digital content services have faced significant competition from other companies promoting their own digital music and content products and services, including those offering free peer-to-peer music and video services.

The Company's future financial condition and operating results depend on the Company's ability to continue to develop and offer new innovative products and services in each of the markets in which it competes. The Company believes it offers superior innovation and integration of the entire solution including the hardware (iOS devices, Mac, Apple Watch and Apple TV), software (iOS, OS X, watchOS and tvOS), online services and distribution of digital content and applications (Internet Services). Some of the Company's current and potential competitors have substantial resources and may be able to provide such products and services at little or no profit or even at a loss to compete with the Company's offerings.

Supply of Components

Although most components essential to the Company's business are generally available from multiple sources, a number of components are currently obtained from single or limited sources. In addition, the Company competes for various components with other participants in the markets for mobile communication and media devices and personal computers. Therefore, many components used by the Company, including those that are available from multiple sources, are at times subject to industry-wide shortage and significant pricing fluctuations that could materially adversely affect the Company's financial condition and operating results.

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The Company uses some custom components that are not commonly used by its competitors, and the Company often utilizes custom components available from only one source. When a component or product uses new technologies, initial capacity constraints may exist until the suppliers' yields have matured or manufacturing capacity has increased. If the Company's supply of components were delayed or constrained, or if an outsourcing partner delayed shipments of completed products to the Company, the Company's financial condition and operating results could be materially adversely affected. The Company's business and financial performance could also be materially adversely affected depending on the time required to obtain sufficient quantities from the original source, or to identify and obtain sufficient quantities from an alternative source. Continued availability of these components at acceptable prices, or at all, may be affected if those suppliers concentrated on the production of common components instead of components customized to meet the Company's requirements.

The Company has entered into agreements for the supply of many components; however, there can be no guarantee that the Company will be able to extend or renew these agreements on similar terms, or at all. Therefore, the Company remains subject to significant risks of supply shortages and price increases that could materially adversely affect its financial condition and operating results.

While some Mac computers are manufactured in the U.S. and Ireland, substantially all of the Company's hardware products are currently manufactured by outsourcing partners that are located primarily in Asia. A significant concentration of this manufacturing is currently performed by a small number of outsourcing partners, often in single locations. Certain of these outsourcing partners are the sole-sourced suppliers of components and manufacturers for many of the Company's products. Although the Company works closely with its outsourcing partners on manufacturing schedules, the Company's operating results could be adversely affected if its outsourcing partners were unable to meet their production commitments. The Company's purchase commitments typically cover its requirements for periods up to 150 days.

Research and Development

Because the industries in which the Company competes are characterized by rapid technological advances, the Company's ability to compete successfully depends heavily upon its ability to ensure a continual and timely flow of competitive products, services and technologies to the marketplace. The Company continues to develop new technologies to enhance existing products and to expand the range of its product offerings through R&D, licensing of intellectual property and acquisition of third-party businesses and technology. Total R&D expense was \$8.1 billion, \$6.0 billion and \$4.5 billion in 2015, 2014 and 2013, respectively.

Patents, Trademarks, Copyrights and Licenses

The Company currently holds rights to patents and copyrights relating to certain aspects of its hardware devices, accessories, software and services. The Company has registered or has applied for trademarks and service marks in the U.S. and a number of foreign countries. Although the Company believes the ownership of such patents, copyrights, trademarks and service marks is an important factor in its business and that its success does depend in part on such ownership, the Company relies primarily on the innovative skills, technical competence and marketing abilities of its personnel.

The Company regularly files patent applications to protect innovations arising from its research, development and design, and is currently pursuing thousands of patent applications around the world. Over time, the Company has accumulated a large portfolio of issued patents around the world. The Company holds copyrights relating to certain aspects of its products and services. No single patent or copyright is solely responsible for protecting the Company's products. The Company believes the duration of its patents is adequate relative to the expected lives of its products.

Many of the Company's products are designed to include intellectual property obtained from third parties. It may be necessary in the future to seek or renew licenses relating to various aspects of its products, processes and services. While the Company has generally been able to obtain such licenses on commercially reasonable terms in the past, there is no guarantee that such licenses could be obtained in the future on reasonable terms or at all. Because of technological changes in the industries in which the Company competes, current extensive patent coverage and the rapid rate of issuance of new patents, it is possible that certain components of the Company's products, processes and services may unknowingly infringe existing patents or intellectual property rights of others. From time to time, the Company has been notified that it may be infringing certain patents or other intellectual property rights of third parties.

Foreign and Domestic Operations and Geographic Data

During 2015, the Company's domestic and international net sales accounted for 35% and 65%, respectively, of total net sales. Information regarding financial data by geographic segment is set forth in Part II, Item 7 of this Form 10-K under the subheading "Segment Operating Performance," and in Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 11, "Segment Information and Geographic Data."

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While some Mac computers are manufactured in the U.S. and Ireland, substantially all of the Company's hardware products are currently manufactured by outsourcing partners that are located primarily in Asia. The supply and manufacture of a number of components is performed by sole-sourced outsourcing partners in the U.S., Asia and Europe. Margins on sales of the Company's products in foreign countries and on sales of products that include components obtained from foreign suppliers, can be adversely affected by foreign currency exchange rate fluctuations and by international trade regulations, including tariffs and antidumping penalties. Information regarding concentration in the available sources of supply of materials and products is set forth in Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 10, "Commitments and Contingencies."

Business Seasonality and Product Introductions

The Company has historically experienced higher net sales in its first quarter compared to other quarters in its fiscal year due in part to seasonal holiday demand. Additionally, new product introductions can significantly impact net sales, product costs and operating expenses. Product introductions can also impact the Company's net sales to its indirect distribution channels as these channels are filled with new product inventory following a product introduction, and often, channel inventory of a particular product declines as the next related major product launch approaches. Net sales can also be affected when consumers and distributors anticipate a product introduction. However, neither historical seasonal patterns nor historical patterns of product introductions should be considered reliable indicators of the Company's future pattern of product introductions, future net sales or financial performance.

Warranty

The Company offers a limited parts and labor warranty on most of its hardware products. The basic warranty period is typically one year from the date of purchase by the original end-user. The Company also offers a 90-day basic warranty for its service parts used to repair the Company's hardware products. In certain jurisdictions, local law requires that manufacturers guarantee their products for a period prescribed by statute, typically at least two years. In addition, where available, consumers may purchase APP or AC+, which extends service coverage on many of the Company's hardware products.

Backlog

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 immediately following new product introductions as customers anticipate shortages. Backlog is often reduced once customers believe they can obtain sufficient supply. Because of the foregoing, backlog should not be considered a reliable indicator of the Company's ability to achieve any particular level of revenue or financial performance.

Employees

As of September 26, 2015, the Company had approximately 110,000 full-time equivalent employees.

Available Information

The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are filed with the Securities and Exchange Commission (the "SEC"). The Company is subject to the informational requirements of the Exchange Act and files or furnishes reports, proxy statements and other information with the SEC. Such reports and other information filed by the Company with the SEC are available free of charge on the Company's website at investor.apple.com/sec.cfm when such reports are available on the SEC's website. The public may read and copy any materials filed by the Company with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. The contents of these websites are not incorporated into this filing. Further, the Company's references to website URLs are intended to be inactive textual references only.

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Item 1A. Risk Factors

The following discussion of risk factors contains forward-looking statements. These risk factors may be important to understanding other statements in this Form 10-K. The following information should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K.

The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described below, any one or more of which could, directly or indirectly, cause the Company's actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect the Company's business, financial condition, operating results and stock price.

Because of the following factors, as well as other factors affecting the Company's financial condition and operating results, 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.

Global and regional economic conditions could materially adversely affect the Company.

The Company's operations and performance depend significantly on global and regional economic conditions. Uncertainty about global and regional economic conditions poses a risk as consumers and businesses may postpone spending in response to tighter credit, higher unemployment, financial market volatility, government austerity programs, negative financial news, declines in income or asset values and/or other factors. These worldwide and regional economic conditions could have a material adverse effect on demand for the Company's products and services. Demand also could differ materially from the Company's expectations as a result of currency fluctuations because the Company generally raises prices on goods and services sold outside the U.S. to correspond with the effect of a strengthening of the U.S. dollar. Other factors that could influence worldwide or regional demand include changes in fuel and other energy costs, conditions in the real estate and mortgage markets, unemployment, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors affecting consumer spending behavior. These and other economic factors could materially adversely affect demand for the Company's products and services.

In the event of financial turmoil affecting the banking system and financial markets, additional consolidation of the financial services industry, or significant financial service institution failures, there could be tightening in the credit markets, low liquidity and extreme volatility in fixed income, credit, currency and equity markets. This could have a number of effects on the Company's business, including the insolvency or financial instability of outsourcing partners or suppliers or their inability to obtain credit to finance development and/or manufacture products resulting in product delays; inability of customers, including channel partners, to obtain credit to finance purchases of the Company's products; failure of derivative counterparties and other financial institutions; and restrictions on the Company's ability to issue new debt. Other income and expense also could vary materially from expectations depending on gains or losses realized on the sale or exchange of financial instruments; impairment charges resulting from revaluations of debt and equity securities and other investments; changes in interest rates; increases or decreases in cash balances; volatility in foreign exchange rates; and changes in fair value of derivative instruments. Increased volatility in the financial markets and overall economic uncertainty would increase the risk of the actual amounts realized in the future on the Company's financial instruments differing significantly from the fair values currently assigned to them.

Global markets for the Company's products and services are highly competitive and subject to rapid technological change, and the Company may be unable to compete effectively in these markets.

The Company's products and services compete in highly competitive global markets characterized by aggressive price cutting and resulting downward pressure on gross margins, frequent introduction of new products, short product life cycles, evolving industry standards, continual improvement in product price/performance characteristics, rapid adoption of technological and product advancements by competitors and price sensitivity on the part of consumers.

The Company's ability to compete successfully depends heavily on its ability to ensure a continuing and timely introduction of innovative new products, services and technologies to the marketplace. The Company believes it is unique in that it designs and develops nearly the entire solution for its products, including the hardware, operating system, numerous software applications and related services. As a result, the Company must make significant investments in R&D. The Company currently holds a significant number of patents and copyrights and has registered and/or has applied to register numerous patents, trademarks and service marks. In contrast, many of the Company's competitors seek to compete primarily through aggressive pricing and very low cost structures, and emulating the Company's products and infringing on its intellectual property. If the Company is unable to continue to develop and sell innovative new products with attractive margins or if competitors infringe on the Company's intellectual property, the Company's ability to maintain a competitive advantage could be adversely affected.

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The Company markets certain mobile communication and media devices based on the iOS mobile operating system and also markets related third-party digital content and applications. The Company faces substantial competition in these markets from companies that have significant technical, marketing, distribution and other resources, as well as established hardware, software and digital content supplier relationships; and the Company has a minority market share in the global smartphone market. Additionally, the Company faces significant price competition as competitors reduce their selling prices and attempt to imitate the Company's product features and applications within their own products or, alternatively, collaborate with each other to offer solutions that are more competitive than those they currently offer. The Company competes with business models that include content provided to users for free. The Company also competes with illegitimate ways to obtain third-party digital content and applications. Some of the Company's competitors have greater experience, product breadth and distribution channels than the Company. Because some current and potential competitors have substantial resources and/or experience and a lower cost structure, they may be able to provide products and services at little or no profit or even at a loss. The Company also expects competition to intensify as competitors attempt to imitate the Company's approach to providing components seamlessly within their individual offerings or work collaboratively to offer integrated solutions. The Company's financial condition and operating results depend substantially on the Company's ability to continually improve iOS and iOS devices in order to maintain their functional and design advantages.

The Company is the only authorized maker of hardware using OS X, which has a minority market share in the personal computer market. This market has been contracting and is dominated by computer makers using competing operating systems, most notably Windows. In the market for personal computers and accessories, the Company faces a significant number of competitors, many of which have broader product lines, lower priced products and a larger installed customer base. Historically, consolidation in this market has resulted in larger competitors. Price competition has been particularly intense as competitors selling Windows-based personal computers have aggressively cut prices and lowered product margins. An increasing number of internet-enabled devices that include software applications and are smaller and simpler than traditional personal computers compete for market share with the Company's existing products. The Company's financial condition and operating results also depend on its ability to continually improve the Mac platform to maintain its functional and design advantages.

There can be no assurance the Company will be able to continue to provide products and services that compete effectively.

To remain competitive and stimulate customer demand, the Company must successfully manage frequent product introductions and transitions.

Due to the highly volatile and competitive nature of the industries in which the Company competes, the Company must continually introduce new products, services and technologies, enhance existing products and services, effectively stimulate customer demand for new and upgraded products and successfully manage the transition to these new and upgraded products. The success of new product introductions depends on a number of factors including, but not limited to, timely and successful product development, market acceptance, the Company's ability to manage the risks associated with new product production ramp-up issues, the availability of application software for new products, the effective management of purchase commitments and inventory levels in line with anticipated product demand, the availability of products in appropriate quantities and at expected costs to meet anticipated demand and the risk that new products may have quality or other defects or deficiencies in the early stages of introduction. Accordingly, the Company cannot determine in advance the ultimate effect of new product introductions and transitions.

The Company depends on the performance of distributors, carriers and other resellers.

The Company distributes its products through cellular network carriers, wholesalers, national and regional retailers and value-added resellers, many of whom distribute products from competing manufacturers. The Company also sells its products and third-party products in most of its major markets directly to education, enterprise and government customers and consumers and small and mid-sized businesses through its online and retail stores.

Carriers providing cellular network service for iPhone typically subsidize users' purchases of the device. There is no assurance that such subsidies will be continued at all or in the same amounts upon renewal of the Company's agreements with these carriers or in agreements the Company enters into with new carriers.

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Many resellers have narrow operating margins and have been adversely affected in the past by weak economic conditions. Some resellers have perceived the expansion of the Company's direct sales as conflicting with their business interests as distributors and resellers of the Company's products. Such a perception could discourage resellers from investing resources in the distribution and sale of the Company's products or lead them to limit or cease distribution of those products. The Company has invested and will continue to invest in programs to enhance reseller sales, including staffing selected resellers' stores with Company employees and contractors, and improving product placement displays. These programs could require a substantial investment while providing no assurance of return or incremental revenue. The financial condition of these resellers could weaken, these resellers could stop distributing the Company's products, or uncertainty regarding demand for some or all of the Company's products could cause resellers to reduce their ordering and marketing of the Company's products.

The Company faces substantial inventory and other asset risk in addition to purchase commitment cancellation risk.

The Company records a write-down for product and component inventories that have become obsolete or exceed anticipated demand or net realizable value and accrues necessary cancellation fee reserves for orders of excess products and components. The Company also reviews its long-lived assets, including capital assets held at its suppliers' facilities and inventory prepayments, for impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the Company determines that impairment has occurred, it records a write-down equal to the amount by which the carrying value of the assets exceeds its fair value. Although the Company believes its provisions related to inventory, capital assets, inventory prepayments and other assets and purchase commitments are currently adequate, no assurance can be given that the Company will not incur additional related charges given the rapid and unpredictable pace of product obsolescence in the industries in which the Company competes.

The Company must order components for its products and build inventory in advance of product announcements and shipments. Consistent with industry practice, components are normally acquired through a combination of purchase orders, supplier contracts and open orders, in each case based on projected demand. Where appropriate, the purchases are applied to inventory component prepayments that are outstanding with the respective supplier. Purchase commitments typically cover forecasted component and manufacturing requirements for periods up to 150 days. Because the Company's markets are volatile, competitive and subject to rapid technology and price changes, there is a risk the Company will forecast incorrectly and order or produce excess or insufficient amounts of components or products, or not fully utilize firm purchase commitments.

Future operating results depend upon the Company's ability to obtain components in sufficient quantities.

Because the Company currently obtains components from single or limited sources, the Company is subject to significant supply and pricing risks. Many components, including those that are available from multiple sources, are at times subject to industry-wide shortages and significant commodity pricing fluctuations. While the Company has entered into agreements for the supply of many components, there can be no assurance that the Company will be able to extend or renew these agreements on similar terms, or at all. A number of suppliers of components may suffer from poor financial conditions, which can lead to business failure for the supplier or consolidation within a particular industry, further limiting the Company's ability to obtain sufficient quantities of components. The effects of global or regional economic conditions on the Company's suppliers, described in "*Global and regional economic conditions could materially adversely affect the Company*" above, also could affect the Company's ability to obtain components. Therefore, the Company remains subject to significant risks of supply shortages and price increases.

The Company and other participants in the markets for mobile communication and media devices and personal computers also compete for various components with other industries that have experienced increased demand for their products. The Company uses some custom components that are not common to the rest of these industries. The Company's new products often utilize custom components available from only one source. When a component or product uses new technologies, initial capacity constraints may exist until the suppliers' yields have matured or manufacturing capacity has increased. Continued availability of these components at acceptable prices, or at all, may be affected for any number of reasons, including if those suppliers decide to concentrate on the production of common components instead of components customized to meet the Company's requirements. The supply of components for a new or existing product could be delayed or constrained, or a key manufacturing vendor could delay shipments of completed products to the Company.

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The Company depends on component and product manufacturing and logistical services provided by outsourcing partners, many of which are located outside of the U.S.

Substantially all of the Company's manufacturing is performed in whole or in part by a few outsourcing partners located primarily in Asia. The Company has also outsourced much of its transportation and logistics management. While these arrangements may lower operating costs, they also reduce the Company's direct control over production and distribution. It is uncertain what effect such diminished control will have on the quality or quantity of products or services, or the Company's flexibility to respond to changing conditions. Although arrangements with these partners may contain provisions for warranty expense reimbursement, the Company may remain responsible to the consumer for warranty service in the event of product defects and could experience an unanticipated product defect or warranty liability. While the Company relies on its partners to adhere to its supplier code of conduct, material violations of the supplier code of conduct could occur.

The Company relies on sole-sourced outsourcing partners in the U.S., Asia and Europe to supply and manufacture many critical components, and on outsourcing partners primarily located in Asia, for final assembly of substantially all of the Company's hardware products. Any failure of these partners to perform may have a negative impact on the Company's cost or supply of components or finished goods. In addition, manufacturing or logistics in these locations or transit to final destinations may be disrupted for a variety of reasons including, but not limited to, natural and man-made disasters, information technology system failures, commercial disputes, military actions or economic, business, labor, environmental, public health, or political issues.

The Company has invested in manufacturing process equipment, much of which is held at certain of its outsourcing partners, and has made prepayments to certain of its suppliers associated with long-term supply agreements. While these arrangements help ensure the supply of components and finished goods, if these outsourcing partners or suppliers experience severe financial problems or other disruptions in their business, such continued supply could be reduced or terminated and the net realizable value of these assets could be negatively impacted.

The Company's products and services may experience quality problems from time to time that can result in decreased sales and operating margin and harm to the Company's reputation.

The Company sells complex hardware and software products and services that can contain design and manufacturing defects. Sophisticated operating system software and applications, such as those sold by the Company, often contain "bugs" that can unexpectedly interfere with the software's intended operation. The Company's online services may from time to time experience outages, service slowdowns, or errors. Defects may also occur in components and products the Company purchases from third parties. There can be no assurance the Company will be able to detect and fix all defects in the hardware, software and services it sells. Failure to do so could result in lost revenue, significant warranty and other expenses and harm to the Company's reputation.

The Company relies on access to third-party digital content, which may not be available to the Company on commercially reasonable terms or at all.

The Company contracts with numerous third parties to offer their digital content. This includes the right to sell currently available music, movies, TV shows and books. The licensing or other distribution arrangements with these third parties are for relatively short terms and do not guarantee the continuation or renewal of these arrangements on reasonable terms, if at all. Some third-party content providers and distributors currently or in the future may offer competing products and services, and could take action to make it more difficult or impossible for the Company to license or otherwise distribute their content in the future. Other content owners, providers or distributors may seek to limit the Company's access to, or increase the cost of, such content. The Company may be unable to continue to offer a wide variety of content at reasonable prices with acceptable usage rules, or continue to expand its geographic reach. Failure to obtain the right to make available third-party digital content, or to make available such content on commercially reasonable terms, could have a material adverse impact on the Company's financial condition and operating results.

Some third-party digital content providers require the Company to provide digital rights management and other security solutions. If requirements change, the Company may have to develop or license new technology to provide these solutions. There is no assurance the Company will be able to develop or license such solutions at a reasonable cost and in a timely manner. In addition, certain countries have passed or may propose and adopt legislation that would force the Company to license its digital rights management, which could lessen the protection of content and subject it to piracy and also could negatively affect arrangements with the Company's content providers.

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The Company's future performance depends in part on support from third-party software developers.

The Company believes decisions by customers to purchase its hardware products depend in part on the availability of third-party software applications and services. There is no assurance that third-party developers will continue to develop and maintain software applications and services for the Company's products. If third-party software applications and services cease to be developed and maintained for the Company's products, customers may choose not to buy the Company's products.

With respect to its Mac products, the Company believes the availability of third-party software applications and services depends in part on the developers' perception and analysis of the relative benefits of developing, maintaining and upgrading such software for the Company's products compared to Windows-based products. This analysis may be based on factors such as the market position of the Company and its products, the anticipated revenue that may be generated, expected future growth of Mac sales and the costs of developing such applications and services. If the Company's minority share of the global personal computer market causes developers to question the Mac's prospects, developers could be less inclined to develop or upgrade software for the Company's Mac products and more inclined to devote their resources to developing and upgrading software for the larger Windows market.

With respect to iOS devices, the Company relies on the continued availability and development of compelling and innovative software applications, which are distributed through a single distribution channel, the App Store. iOS devices are subject to rapid technological change, and, if third-party developers are unable to or choose not to keep up with this pace of change, third-party applications might not successfully operate and may result in dissatisfied customers. As with applications for the Company's Mac products, the availability and development of these applications also depend on developers' perceptions and analysis of the relative benefits of developing, maintaining or upgrading software for the Company's iOS devices rather than its competitors' platforms, such as Android. If developers focus their efforts on these competing platforms, the availability and quality of applications for the Company's iOS devices may suffer.

The Company relies on access to third-party intellectual property, which may not be available to the Company on commercially reasonable terms or at all.

Many of the Company's products include third-party intellectual property, which requires licenses from those third parties. Based on past experience and industry practice, the Company believes such licenses generally can be obtained on reasonable terms. There is, however, no assurance that the necessary licenses can be obtained on acceptable terms or at all. Failure to obtain the right to use third-party intellectual property, or to use such intellectual property on commercially reasonable terms, could preclude the Company from selling certain products or otherwise have a material adverse impact on the Company's financial condition and operating results.

The Company could be impacted by unfavorable results of legal proceedings, such as being found to have infringed on intellectual property rights.

The Company is subject to various legal proceedings and claims that have not yet been fully resolved and that have arisen in the ordinary course of business, and additional claims may arise in the future.

For example, technology companies, including many of the Company's competitors, frequently enter into litigation based on allegations of patent infringement or other violations of intellectual property rights. In addition, patent holding companies seek to monetize patents they have purchased or otherwise obtained. As the Company has grown, the intellectual property rights claims against it have increased and may continue to increase. In particular, the Company's cellular enabled products compete with products from mobile communication and media device companies that hold significant patent portfolios, and the number of patent claims against the Company has significantly increased. The Company is vigorously defending infringement actions in courts in a number of U.S. jurisdictions and before the U.S. International Trade Commission, as well as internationally in various countries. The plaintiffs in these actions frequently seek injunctions and substantial damages.

Regardless of the scope or validity of such patents or other intellectual property rights, or the merits of any claims by potential or actual litigants, the Company may have to engage in protracted litigation. If the Company is found to infringe one or more patents or other intellectual property rights, regardless of whether it can develop non-infringing technology, it may be required to pay substantial damages or royalties to a third-party, or it may be subject to a temporary or permanent injunction prohibiting the Company from marketing or selling certain products.

In certain cases, the Company may consider the desirability of entering into licensing agreements, although no assurance can be given that such licenses can be obtained on acceptable terms or that litigation will not occur. These licenses may also significantly increase the Company's operating expenses.

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Regardless of the merit of particular claims, litigation may be expensive, time-consuming, disruptive to the Company's operations and distracting to management. In recognition of these considerations, the Company may enter into arrangements to settle litigation.

In management's opinion, there is not at least a reasonable possibility the Company may have incurred a material loss, or a material loss in excess of a recorded accrual, with respect to loss contingencies, including matters related to infringement of intellectual property rights. However, the outcome of litigation is inherently uncertain.

Although management considers the likelihood of such an outcome to be remote, if one or more legal matters were resolved against the Company in a reporting period for amounts in excess of management's expectations, the Company's consolidated financial statements for that reporting period could be materially adversely affected. Further, such an outcome could result in significant compensatory, punitive or trebled monetary damages, disgorgement of revenue or profits, remedial corporate measures or injunctive relief against the Company that could materially adversely affect its financial condition and operating results.

The Company is subject to laws and regulations worldwide, changes to which could increase the Company's costs and individually or in the aggregate adversely affect the Company's business.

The Company is subject to laws and regulations affecting its domestic and international operations in a number of areas. These U.S. and foreign laws and regulations affect the Company's activities including, but not limited to, in areas of labor, advertising, digital content, consumer protection, real estate, billing, e-commerce, promotions, quality of services, telecommunications, mobile communications and media, television, intellectual property ownership and infringement, tax, import and export requirements, anti-corruption, foreign exchange controls and cash repatriation restrictions, data privacy requirements, anti-competition, environmental, health and safety.

By way of example, laws and regulations related to mobile communications and media devices in the many jurisdictions in which the Company operates are extensive and subject to change. Such changes could include, among others, restrictions on the production, manufacture, distribution and use of devices, locking devices to a carrier's network, or mandating the use of devices on more than one carrier's network. These devices are also subject to certification and regulation by governmental and standardization bodies, as well as by cellular network carriers for use on their networks. These certification processes are extensive and time consuming, and could result in additional testing requirements, product modifications, or delays in product shipment dates, or could preclude the Company from selling certain products.

Compliance with these laws, regulations and similar requirements may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance and doing business. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation, could individually or in the aggregate make the Company's products and services less attractive to the Company's customers, delay the introduction of new products in one or more regions, or cause the Company to change or limit its business practices. The Company has implemented policies and procedures designed to ensure compliance with applicable laws and regulations, but there can be no assurance that the Company's employees, contractors, or agents will not violate such laws and regulations or the Company's policies and procedures.

The Company's business is subject to the risks of international operations.

The Company derives a significant portion of its revenue and earnings from its international operations. Compliance with applicable U.S. and foreign laws and regulations, such as import and export requirements, anti-corruption laws, tax laws, foreign exchange controls and cash repatriation restrictions, data privacy requirements, environmental laws, labor laws and anti-competition regulations, increases the costs of doing business in foreign jurisdictions. Although the Company has implemented policies and procedures to comply with these laws and regulations, a violation by the Company's employees, contractors, or agents could nevertheless occur. Violations of these laws and regulations could materially adversely affect the Company's brand, international growth efforts and business.

The Company also could be significantly affected by other risks associated with international activities including, but not limited to, economic and labor conditions, increased duties, taxes and other costs and political instability. Margins on sales of the Company's products in foreign countries, and on sales of products that include components obtained from foreign suppliers, could be materially adversely affected by international trade regulations, including duties, tariffs and antidumping penalties. The Company is also exposed to credit and collectability risk on its trade receivables with customers in certain international markets. There can be no assurance the Company can effectively limit its credit risk and avoid losses.

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The Company's retail stores have required and will continue to require a substantial investment and commitment of resources and are subject to numerous risks and uncertainties.

The Company's retail stores have required substantial investment in equipment and leasehold improvements, information systems, inventory and personnel. The Company also has entered into substantial operating lease commitments for retail space. Certain stores have been designed and built to serve as high-profile venues to promote brand awareness and serve as vehicles for corporate sales and marketing activities. Because of their unique design elements, locations and size, these stores require substantially more investment than the Company's more typical retail stores. Due to the high cost structure associated with the Company's retail stores, a decline in sales or the closure or poor performance of individual or multiple stores could result in significant lease termination costs, write-offs of equipment and leasehold improvements and severance costs.

Many factors unique to retail operations, some of which are beyond the Company's control, pose risks and uncertainties. These risks and uncertainties include, but are not limited to, macro-economic factors that could have an adverse effect on general retail activity, as well as the Company's inability to manage costs associated with store construction and operation, the Company's failure to manage relationships with its existing retail partners, more challenging environments in managing retail operations outside the U.S., costs associated with unanticipated fluctuations in the value of retail inventory, and the Company's inability to obtain and renew leases in quality retail locations at a reasonable cost.

Investment in new business strategies and acquisitions could disrupt the Company's ongoing business and present risks not originally contemplated.

The Company has invested, and in the future may invest, in new business strategies or acquisitions. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, greater than expected liabilities and expenses, inadequate return of capital and unidentified issues not discovered in the Company's due diligence. These new ventures are inherently risky and may not be successful.

The Company's business and reputation may be impacted by information technology system failures or network disruptions.

The Company may be subject to information technology system failures and network disruptions. These may be caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, or other events or disruptions. System redundancy may be ineffective or inadequate, and the Company's disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could, among other things, prevent access to the Company's online stores and services, preclude retail store transactions, compromise Company or customer data, and result in delayed or cancelled orders. System failures and disruptions could also impede the manufacturing and shipping of products, delivery of online services, transactions processing and financial reporting.

There may be breaches of the Company's information technology systems that materially damage business partner and customer relationships, curtail or otherwise adversely impact access to online stores and services, or subject the Company to significant reputational, financial, legal and operational consequences.

The Company's business requires it to use and store customer, employee and business partner personally identifiable information ("PII"). This may include, among other information, names, addresses, phone numbers, email addresses, contact preferences, tax identification numbers and payment account information. Although malicious attacks to gain access to PII affect many companies across various industries, the Company is at a relatively greater risk of being targeted because of its high profile and the amount of PII it manages.

The Company requires user names and passwords in order to access its information technology systems. The Company also uses encryption and authentication technologies designed to secure the transmission and storage of data and prevent access to Company data or accounts. As with all companies, these security measures are subject to third-party security breaches, employee error, malfeasance, faulty password management, or other irregularities. For example, third parties may attempt to fraudulently induce employees or customers into disclosing user names, passwords or other sensitive information, which may in turn be used to access the Company's information technology systems. To help protect customers and the Company, the Company monitors accounts and systems for unusual activity and may freeze accounts under suspicious circumstances, which may result in the delay or loss of customer orders.

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The Company devotes significant resources to network security, data encryption and other security measures to protect its systems and data, but these security measures cannot provide absolute security. To the extent the Company was to experience a breach of its systems and was unable to protect sensitive data, such a breach could materially damage business partner and customer relationships, and curtail or otherwise adversely impact access to online stores and services. Moreover, if a computer security breach affects the Company's systems or results in the unauthorized release of PII, the Company's reputation and brand could be materially damaged, use of the Company's products and services could decrease, and the Company could be exposed to a risk of loss or litigation and possible liability. While the Company maintains insurance coverage that, subject to policy terms and conditions and subject to a significant self-insured retention, is designed to address certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses or all types of claims that may arise in the continually evolving area of cyber risk.

The Company's business is subject to a variety of U.S. and international laws, rules, policies and other obligations regarding data protection.

The Company is subject to federal, state and international laws relating to the collection, use, retention, security and transfer of PII. In many cases, these laws apply not only to third-party transactions, but also to transfers of information between the Company and its subsidiaries, and among the Company, its subsidiaries and other parties with which the Company has commercial relations. Several jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. These laws continue to develop and may be inconsistent from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause the Company to incur substantial costs or require the Company to change its business practices. Noncompliance could result in penalties or significant legal liability.

The Company's privacy policy, which includes related practices concerning the use and disclosure of data, is posted on its website. Any failure by the Company, its suppliers or other parties with whom the Company does business to comply with its posted privacy policy or with other federal, state or international privacy-related or data protection laws and regulations could result in proceedings against the Company by governmental entities or others.

The Company is also subject to payment card association rules and obligations under its contracts with payment card processors. Under these rules and obligations, if information is compromised, the Company could be liable to payment card issuers for associated expenses and penalties. In addition, if the Company fails to follow payment card industry security standards, even if no customer information is compromised, the Company could incur significant fines or experience a significant increase in payment card transaction costs.

The Company's success depends largely on the continued service and availability of key personnel.

Much of the Company's future success depends on the continued availability and service of key personnel, including its Chief Executive Officer, executive team and other highly skilled employees. Experienced personnel in the technology industry are in high demand and competition for their talents is intense, especially in Silicon Valley, where most of the Company's key personnel are located.

The Company's business may be impacted by political events, war, terrorism, public health issues, natural disasters and other business interruptions.

War, terrorism, geopolitical uncertainties, public health issues and other business interruptions have caused and could cause damage or disruption to international commerce and the global economy, and thus could have a material adverse effect on the Company, its suppliers, logistics providers, manufacturing vendors and customers, including channel partners. The Company's business operations are subject to interruption by, among others, natural disasters, whether as a result of climate change or otherwise, fire, power shortages, nuclear power plant accidents, terrorist attacks and other hostile acts, labor disputes, public health issues and other events beyond its control. Such events could decrease demand for the Company's products, make it difficult or impossible for the Company to make and deliver products to its customers, including channel partners, or to receive components from its suppliers, and create delays and inefficiencies in the Company's supply chain. Should major public health issues, including pandemics, arise, the Company could be adversely affected by more stringent employee travel restrictions, additional limitations in freight services, governmental actions limiting the movement of products between regions, delays in production ramps of new products and disruptions in the operations of the Company's manufacturing vendors and component suppliers. The majority of the Company's R&D activities, its corporate headquarters, information technology systems and other critical business operations, including certain component suppliers and manufacturing vendors, are in locations that could be affected by natural disasters. In the event of a natural disaster, the Company could incur significant losses, require substantial recovery time and experience significant expenditures in order to resume operations.

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The Company expects its quarterly revenue and operating results to fluctuate.

The Company's profit margins vary across its products and distribution channels. The Company's software, accessories, and service and support contracts generally have higher gross margins than certain of the Company's other products. Gross margins on the Company's hardware products vary across product lines and can change over time as a result of product transitions, pricing and configuration changes, and component, warranty, and other cost fluctuations. The Company's direct sales generally have higher associated gross margins than its indirect sales through its channel partners. In addition, the Company's gross margin and operating margin percentages, as well as overall profitability, may be materially adversely impacted as a result of a shift in product, geographic or channel mix, component cost increases, the strengthening U.S. dollar, price competition, or the introduction of new products, including those that have higher cost structures with flat or reduced pricing.

The Company has typically experienced higher net sales in its first quarter compared to other quarters due in part to seasonal holiday demand. Additionally, new product introductions can significantly impact net sales, product costs and operating expenses. Further, the Company generates a majority of its net sales from a single product and a decline in demand for that product could significantly impact quarterly net sales. The Company could also be subject to unexpected developments late in a quarter, such as lower-than-anticipated demand for the Company's products, issues with new product introductions, an internal systems failure, or failure of one of the Company's logistics, components supply, or manufacturing partners.

The Company's stock price is subject to volatility.

The Company's stock price has experienced substantial price volatility in the past and may continue to do so in the future. Additionally, the Company, the technology industry and the stock market as a whole have experienced extreme stock price and volume fluctuations that have affected stock prices in ways that may have been unrelated to these companies' operating performance. Price volatility over a given period may cause the average price at which the Company repurchases its own stock to exceed the stock's price at a given point in time. The Company believes its stock price should reflect expectations of future growth and profitability. The Company also believes its stock price should reflect expectations that its cash dividend will continue at current levels or grow and that its current share repurchase program will be fully consummated. Future dividends are subject to declaration by the Company's Board of Directors, and the Company's share repurchase program does not obligate it to acquire any specific number of shares. If the Company fails to meet expectations related to future growth, profitability, dividends, share repurchases or other market expectations, its stock price may decline significantly, which could have a material adverse impact on investor confidence and employee retention.

The Company's financial performance is subject to risks associated with changes in the value of the U.S. dollar versus local currencies.

The Company's primary exposure to movements in foreign currency exchange rates relates to non-U.S. dollar-denominated sales and operating expenses worldwide. Weakening of foreign currencies relative to the U.S. dollar adversely affects the U.S. dollar value of the Company's foreign currency-denominated sales and earnings, and generally leads the Company to raise international pricing, potentially reducing demand for the Company's products. Margins on sales of the Company's products in foreign countries and on sales of products that include components obtained from foreign suppliers, could be materially adversely affected by foreign currency exchange rate fluctuations. In some circumstances, for competitive or other reasons, the Company may decide not to raise local prices to fully offset the dollar's strengthening, or at all, which would adversely affect the U.S. dollar value of the Company's foreign currency-denominated sales and earnings. Conversely, a strengthening of foreign currencies relative to the U.S. dollar, while generally beneficial to the Company's foreign currency-denominated sales and earnings, could cause the Company to reduce international pricing and incur losses on its foreign currency derivative instruments, thereby limiting the benefit. Additionally, strengthening of foreign currencies may also increase the Company's cost of product components denominated in those currencies, thus adversely affecting gross margins.

The Company uses derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any, or more than a portion, of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place.

The Company is exposed to credit risk and fluctuations in the market values of its investment portfolio.

Given the global nature of its business, the Company has both domestic and international investments. Credit ratings and pricing of the Company's investments can be negatively affected by liquidity, credit deterioration, financial results, economic risk, political risk, sovereign risk or other factors. As a result, the value and liquidity of the Company's cash, cash equivalents and marketable securities may fluctuate substantially. Therefore, although the Company has not realized any significant losses on its cash, cash equivalents and marketable securities, future fluctuations in their value could result in a significant realized loss.

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The Company is exposed to credit risk on its trade accounts receivable, vendor non-trade receivables and prepayments related to long-term supply agreements, and this risk is heightened during periods when economic conditions worsen.

The Company distributes its products through third-party cellular network carriers, wholesalers, retailers and value-added resellers. The Company also sells its products directly to small and mid-sized businesses and education, enterprise and government customers. A substantial majority of the Company's outstanding trade receivables are not covered by collateral, third-party financing arrangements or credit insurance. The Company's exposure to credit and collectability risk on its trade receivables is higher in certain international markets and its ability to mitigate such risks may be limited. The Company also has unsecured vendor non-trade receivables resulting from purchases of components by outsourcing partners and other vendors that manufacture sub-assemblies or assemble final products for the Company. In addition, the Company has made prepayments associated with long-term supply agreements to secure supply of inventory components. As of September 26, 2015, a significant portion of the Company's trade receivables was concentrated within cellular network carriers, and its vendor non-trade receivables and prepayments related to long-term supply agreements were concentrated among a few individual vendors located primarily in Asia. While the Company has procedures to monitor and limit exposure to credit risk on its trade and vendor non-trade receivables, as well as long-term prepayments, there can be no assurance such procedures will effectively limit its credit risk and avoid losses.

The Company could be subject to changes in its tax rates, the adoption of new U.S. or international tax legislation or exposure to additional tax liabilities.

The Company is subject to taxes in the U.S. and numerous foreign jurisdictions, including Ireland, where a number of the Company's subsidiaries are organized. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. The Company's effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation, including in the U.S. and Ireland. For example, in June 2014, the European Commission opened a formal investigation of Ireland to examine whether decisions by the tax authorities with regard to the corporate income tax to be paid by two of the Company's Irish subsidiaries comply with European Union rules on state aid. If the European Commission were to conclude against Ireland, it could require Ireland to recover from the Company past taxes covering a period of up to 10 years reflective of the disallowed state aid, and such amount could be material.

The Company is also subject to the examination of its tax returns and other tax matters by the Internal Revenue Service and other tax authorities and governmental bodies. The Company regularly assesses the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of its provision for taxes. There can be no assurance as to the outcome of these examinations. If the Company's effective tax rates were to increase, particularly in the U.S. or Ireland, or if the ultimate determination of the Company's taxes owed is for an amount in excess of amounts previously accrued, the Company's financial condition, operating results and cash flows could be adversely affected.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company's headquarters are located in Cupertino, California. As of September 26, 2015, the Company owned or leased 25.6 million square feet of building space, primarily in the U.S. The Company also owned or leased building space in various locations, including throughout Europe, China, Singapore and Japan. Of the total owned or leased building space 18.5 million square feet was leased building space, which includes approximately 5.3 million square feet related to retail store space. Additionally, the Company owns a total of 1,757 acres of land in various locations.

As of September 26, 2015, the Company owned a manufacturing facility in Cork, Ireland that also housed a customer support call center; facilities in Elk Grove, California that included warehousing and distribution operations and a customer support call center; and a facility in Mesa, Arizona. The Company also owned land in Austin, Texas where it is expanding its existing office space and customer support call center. In addition, the Company owned facilities and land for R&D and corporate functions in San Jose, California and Cupertino, California, including land that is being developed for the Company's second corporate campus. The Company also owned data centers in Newark, California; Maiden, North Carolina; Prineville, Oregon; and Reno, Nevada. Outside the U.S., the Company owned additional facilities for various purposes.

The Company believes its existing facilities and equipment, which are used by all operating segments, are in good operating condition and are suitable for the conduct of its business. The Company has invested in internal capacity and strategic relationships with outside manufacturing vendors and continues to make investments in capital equipment as needed to meet anticipated demand for its products.

Item 3. Legal Proceedings

The Company is subject to the legal proceedings and claims discussed below as well as certain other legal proceedings and claims that have not been fully resolved and that have arisen in the ordinary course of business. In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss, or a material loss in excess of a recorded accrual, with respect to loss contingencies for asserted legal and other claims. However, the outcome of legal proceedings and claims brought against the Company is subject to significant uncertainty. Therefore, although management considers the likelihood of such an outcome to be remote, if one or more of these legal matters were resolved against the Company in a reporting period for amounts in excess of management's expectations, the Company's consolidated financial statements for that reporting period could be materially adversely affected. See the risk factor "*The Company could be impacted by unfavorable results of legal proceedings, such as being found to have infringed on intellectual property rights*" in Part I, Item 1A of this Form 10-K under the heading "Risk Factors." The Company settled certain matters during the fourth quarter of 2015 that did not individually or in the aggregate have a material impact on the Company's financial condition or operating results.

Apple eBooks Antitrust Litigation (United States of America v. Apple Inc., et al.)

On April 11, 2012, the U.S. Department of Justice filed a civil antitrust action against the Company and five major book publishers in the U.S. District Court for the Southern District of New York, alleging an unreasonable restraint of interstate trade and commerce in violation of §1 of the Sherman Act and seeking, among other things, injunctive relief, the District Court's declaration that the Company's agency agreements with the publishers are null and void and/or the District Court's reformation of such agreements. On July 10, 2013, the District Court found, following a bench trial, that the Company conspired to restrain trade in violation of §1 of the Sherman Act and relevant state statutes to the extent those laws are congruent with §1 of the Sherman Act. The District Court entered a permanent injunction, which took effect on October 6, 2013 and will be in effect for five years unless the judgment is overturned on appeal. The Company has taken the necessary steps to comply with the terms of the District Court's order, including renegotiating agreements with the five major eBook publishers, updating its antitrust training program and completing a two-year monitorship with a court-appointed antitrust compliance monitor, whose appointment the District Court ended in October 2015. The Company appealed the District Court's decision. Pursuant to a settlement agreement reached in June 2014, any damages the Company may be obligated to pay will be determined by the outcome of the final adjudication following exhaustion of all appeals.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company’s common stock is traded on the NASDAQ Stock Market LLC (“NASDAQ”) under the symbol AAPL.

Price Range of Common Stock

The price range per share of common stock presented below represents the highest and lowest intraday sales prices for the Company’s common stock on the NASDAQ during each quarter of the two most recent years.

	<u>Fourth Quarter</u>	<u>Third Quarter</u>	<u>Second Quarter</u>	<u>First Quarter</u>
2015 price range per share	\$ 132.97 - \$ 92.00	\$ 134.54 - \$ 123.10	\$ 133.60 - \$ 104.63	\$ 119.75 - \$ 95.18
2014 price range per share	\$ 103.74 - \$ 92.09	\$ 95.05 - \$ 73.05	\$ 80.18 - \$ 70.51	\$ 82.16 - \$ 67.77

Holders

As of October 9, 2015, there were 25,924 shareholders of record.

Dividends

The Company paid a total of \$11.4 billion and \$11.0 billion in dividends during 2015 and 2014, respectively, and expects to pay quarterly dividends of \$0.52 per common share each quarter, subject to declaration by the Board of Directors. The Company also plans to increase its dividend on an annual basis, subject to declaration by the Board of Directors.

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Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Share repurchase activity during the three months ended September 26, 2015 was as follows (in millions, except number of shares, which are reflected in thousands, and per share amounts):

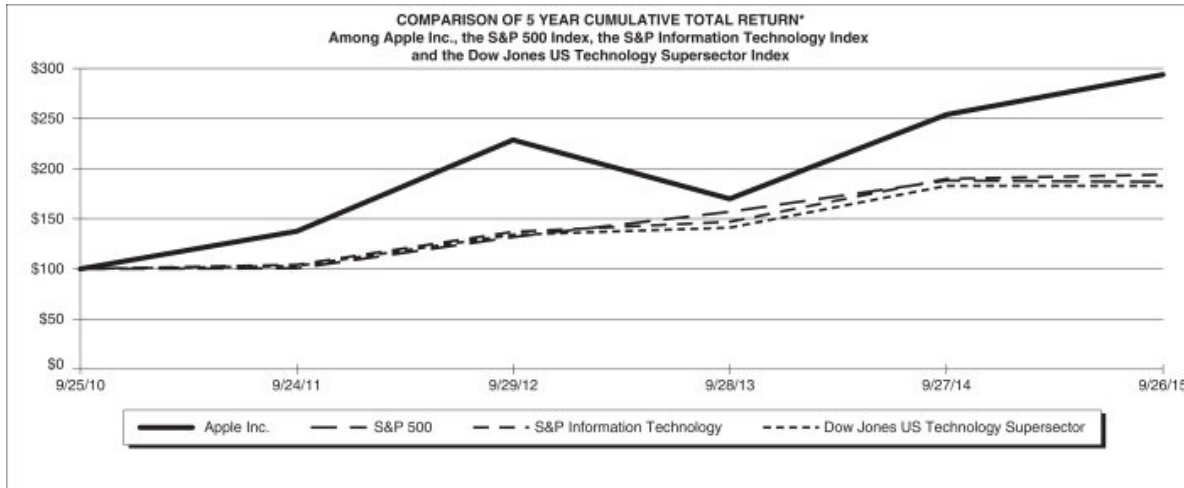
Periods	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)
June 28, 2015 to August 1, 2015:				
May 2015 ASR	9,973 (2)	(2)	9,973 (2)	
Open market and privately negotiated purchases	15,882	\$ 124.66	15,882	
August 2, 2015 to August 29, 2015:				
Open market and privately negotiated purchases	68,526	\$ 114.15	68,526	
August 30, 2015 to September 26, 2015:				
Open market and privately negotiated purchases	37,394	\$ 112.94	37,394	
Total	131,775			\$ 36,024

- (1) In 2012, the Company's Board of Directors authorized a program to repurchase up to \$10 billion of the Company's common stock beginning in 2013. The Company's Board of Directors increased the authorization to repurchase the Company's common stock to \$60 billion in April 2013, to \$90 billion in April 2014 and to \$140 billion in April 2015. As of September 26, 2015, \$104 billion of the \$140 billion had been utilized. The remaining \$36 billion in the table represents the amount available to repurchase shares under the authorized repurchase program as of September 26, 2015. The Company's share repurchase program does not obligate it to acquire any specific number of shares. Under the program, shares may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act.
- (2) In May 2015, the Company entered into an accelerated share repurchase arrangement ("ASR") to purchase up to \$6.0 billion of the Company's common stock. In July 2015, the purchase period for this ASR ended and an additional 10.0 million shares were delivered and retired. In total, 48.3 million net shares were delivered under this ASR at an average repurchase price of \$124.24.

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Company Stock Performance

The following graph shows a comparison of cumulative total shareholder return, calculated on a dividend reinvested basis, for the Company, the S&P 500 Index, the S&P Information Technology Index and the Dow Jones U.S. Technology Supersector Index for the five years ended September 26, 2015. The graph assumes \$100 was invested in each of the Company's common stock, the S&P 500 Index, the S&P Information Technology Index and the Dow Jones U.S. Technology Supersector Index as of the market close on September 24, 2010. Note that historic stock price performance is not necessarily indicative of future stock price performance.



* \$100 invested on 9/25/10 in stock or index, including reinvestment of dividends. Data points are the last day of each fiscal year for the Company's common stock and September 30th for indexes.

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	September 2010	September 2011	September 2012	September 2013	September 2014	September 2015
Apple Inc.	\$ 100	\$ 138	\$ 229	\$ 170	\$ 254	\$ 294
S&P 500 Index	\$ 100	\$ 101	\$ 132	\$ 157	\$ 188	\$ 187
S&P Information Technology Index	\$ 100	\$ 104	\$ 137	\$ 147	\$ 190	\$ 194
Dow Jones U.S. Technology Supersector Index	\$ 100	\$ 103	\$ 134	\$ 141	\$ 183	\$ 183

[Table of Contents](#)**Item 6. Selected Financial Data**

The information set forth below for the five years ended September 26, 2015, is not necessarily indicative of results of future operations, and should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes thereto included in Part II, Item 8 of this Form 10-K to fully understand factors that may affect the comparability of the information presented below (in millions, except number of shares, which are reflected in thousands, and per share amounts).

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net sales	\$ 233,715	\$ 182,795	\$ 170,910	\$ 156,508	\$ 108,249
Net income	\$ 53,394	\$ 39,510	\$ 37,037	\$ 41,733	\$ 25,922
Earnings per share:					
Basic	\$ 9.28	\$ 6.49	\$ 5.72	\$ 6.38	\$ 4.01
Diluted	\$ 9.22	\$ 6.45	\$ 5.68	\$ 6.31	\$ 3.95
Cash dividends declared per share	\$ 1.98	\$ 1.82	\$ 1.64	\$ 0.38	\$ 0
Shares used in computing earnings per share:					
Basic	5,753,421	6,085,572	6,477,320	6,543,726	6,469,806
Diluted	5,793,069	6,122,663	6,521,634	6,617,483	6,556,514
Total cash, cash equivalents and marketable securities	\$ 205,666	\$ 155,239	\$ 146,761	\$ 121,251	\$ 81,570
Total assets	\$ 290,479	\$ 231,839	\$ 207,000	\$ 176,064	\$ 116,371
Commercial paper	\$ 8,499	\$ 6,308	\$ 0	\$ 0	\$ 0
Total term debt (2)	\$ 55,963	\$ 28,987	\$ 16,960	\$ 0	\$ 0
Other long-term obligations (1)	\$ 33,427	\$ 24,826	\$ 20,208	\$ 16,664	\$ 10,100
Total liabilities	\$ 171,124	\$ 120,292	\$ 83,451	\$ 57,854	\$ 39,756
Total shareholders' equity	\$ 119,355	\$ 111,547	\$ 123,549	\$ 118,210	\$ 76,615

(1) Other long-term obligations exclude non-current deferred revenue.

(2) Includes current and long-term portion of term debt.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section and other parts of this Annual Report on Form 10-K ("Form 10-K") contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as "future," "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "will," "would," "could," "can," "may," and similar terms. Forward-looking statements are not guarantees of future performance and the Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of this Form 10-K under the heading "Risk Factors," which are incorporated herein by reference. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included in Part II, Item 8 of this Form 10-K. All information presented herein is based on the Company's fiscal calendar. Unless otherwise stated, references to particular years, quarters, months or periods refer to the Company's fiscal years ended in September and the associated quarters, months and periods of those fiscal years. Each of the terms the "Company" and "Apple" as used herein refers collectively to Apple Inc. and its wholly-owned subsidiaries, unless otherwise stated. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

Overview and Highlights

The Company designs, manufactures and markets mobile communication and media devices, personal computers and portable digital music players, and sells a variety of related software, services, accessories, networking solutions and third-party digital content and applications. The Company sells its products worldwide through its retail stores, online stores and direct sales force, as well as through third-party cellular network carriers, wholesalers, retailers and value-added resellers. In addition, the Company sells a variety of third-party Apple compatible products, including application software and various accessories through its online and retail stores. The Company sells to consumers, small and mid-sized businesses and education, enterprise and government customers.

Fiscal 2015 Highlights

Net sales rose 28% or \$50.9 billion during 2015 compared to 2014, driven by a 52% year-over-year increase in iPhone® net sales. iPhone net sales and unit sales in 2015 increased in all of the Company's reportable operating segments. The Company also experienced year-over-year net sales increases in Mac®, Services and Other Products. Apple Watch®, which launched during the third quarter of 2015, accounted for more than 100% of the year-over-year growth in net sales of Other Products. Net sales growth during 2015 was partially offset by the effect of weakness in most foreign currencies relative to the U.S. dollar and lower iPad® net sales. Total net sales increased in each of the Company's reportable operating segments, with particularly strong growth in Greater China where year-over-year net sales increased 84%.

In April 2015, the Company announced a significant increase to its capital return program by raising the expected total size of the program to \$200 billion through March 2017. This included increasing its share repurchase authorization to \$140 billion and raising its quarterly dividend to \$0.52 per share beginning in May 2015. During 2015, the Company spent \$36.0 billion to repurchase shares of its common stock and paid dividends and dividend equivalents of \$11.6 billion. Additionally, the Company issued \$14.5 billion of U.S. dollar-denominated, € 4.8 billion of euro-denominated, SFr1.3 billion of Swiss franc-denominated, £1.3 billion of British pound-denominated, A\$2.3 billion of Australian dollar-denominated and ¥250.0 billion of Japanese yen-denominated term debt during 2015.

Fiscal 2014 Highlights

Net sales rose 7% or \$11.9 billion during 2014 compared to 2013. This was driven by increases in net sales of iPhone, Mac and Services. Net sales and unit sales increased for iPhone primarily due to the successful introduction of iPhone 5s and 5c in the latter half of calendar year 2013, the successful launch of iPhone 6 and 6 Plus beginning in the fourth quarter of 2014, and expanded distribution. Mac net sales and unit sales increased primarily due to strong demand for MacBook Air® and MacBook Pro® which were updated in 2014 with faster processors and offered at lower prices. Net sales of Services grew primarily due to increased revenue from sales through the App Store®, AppleCare® and licensing. Growth in these areas was partially offset by the year-over-year decline in net sales for iPad due to lower unit sales in many markets, and a decline in net sales of Other Products. All of the Company's operating segments other than the Rest of Asia Pacific segment experienced increased net sales in 2014, with growth being strongest in the Greater China and Japan operating segments.

During 2014, the Company completed various business acquisitions, including the acquisitions of Beats Music, LLC, which offers a subscription streaming music service, and Beats Electronics, LLC, which makes Beats® headphones, speakers and audio software.

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In April 2014, the Company increased its share repurchase authorization to \$90 billion and the quarterly dividend was raised to \$0.47 per common share, resulting in an overall increase in its capital return program from \$100 billion to over \$130 billion. During 2014, the Company utilized \$45 billion to repurchase its common stock and paid dividends and dividend equivalents of \$11.1 billion. The Company also issued \$12.0 billion of long-term debt during 2014, with varying maturities through 2044, and launched a commercial paper program, with \$6.3 billion outstanding as of September 27, 2014.

Sales Data

The following table shows net sales by operating segment and net sales and unit sales by product during 2015, 2014 and 2013 (dollars in millions and units in thousands):

	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>	<u>2013</u>
Net Sales by Operating Segment:					
Americas	\$ 93,864	17%	\$ 80,095	4%	\$ 77,093
Europe	50,337	14%	44,285	8%	40,980
Greater China	58,715	84%	31,853	18%	27,016
Japan	15,706	3%	15,314	11%	13,782
Rest of Asia Pacific	15,093	34%	11,248	(7)%	12,039
Total net sales	<u>\$ 233,715</u>	28%	<u>\$ 182,795</u>	7%	<u>\$ 170,910</u>

Net Sales by Product:					
iPhone (1)	\$ 155,041	52%	\$ 101,991	12%	\$ 91,279
iPad (1)	23,227	(23)%	30,283	(5)%	31,980
Mac (1)	25,471	6%	24,079	12%	21,483
Services (2)	19,909	10%	18,063	13%	16,051
Other Products (1)(3)	10,067	20%	8,379	(17)%	10,117
Total net sales	<u>\$ 233,715</u>	28%	<u>\$ 182,795</u>	7%	<u>\$ 170,910</u>

Unit Sales by Product:					
iPhone	231,218	37%	169,219	13%	150,257
iPad	54,856	(19)%	67,977	(4)%	71,033
Mac	20,587	9%	18,906	16%	16,341

(1) Includes deferrals and amortization of related software upgrade rights and non-software services.

(2) Includes revenue from the iTunes Store[®], App Store, Mac App Store, iBooks Store[™] and Apple Music[™] (collectively "Internet Services"), AppleCare, Apple Pay[®], licensing and other services.

(3) Includes sales of Apple TV[®], Apple Watch, Beats products, iPod and Apple-branded and third-party accessories.

[Table of Contents](#)**Product Performance***iPhone*

The following table presents iPhone net sales and unit sales information for 2015, 2014 and 2013 (dollars in millions and units in thousands):

	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>	<u>2013</u>
Net sales	\$ 155,041	52%	\$ 101,991	12%	\$ 91,279
Percentage of total net sales	66%		56%		53%
Unit sales	231,218	37%	169,219	13%	150,257

The year-over-year growth in iPhone net sales and unit sales during 2015 primarily resulted from strong demand for iPhone 6 and 6 Plus during 2015. Overall average selling prices ("ASPs") for iPhone increased by 11% during 2015 compared to 2014, due primarily to the introduction of iPhone 6 and 6 Plus in September 2014, partially offset by the effect of weakness in most foreign currencies relative to the U.S. dollar.

The year-over-year growth in iPhone net sales and unit sales in 2014 resulted primarily from the successful introduction of new iPhones in the latter half of calendar year 2013, the successful launch of iPhone 6 and 6 Plus beginning in September 2014, and expanded distribution. iPhone unit sales grew in all of the Company's operating segments, while iPhone net sales grew in all segments except Rest of Asia Pacific. Overall ASPs for iPhone were relatively flat in 2014 compared to 2013, with growth in ASPs in the Americas segment being offset by a decline in ASPs in the Greater China, Japan and Rest of Asia Pacific segments.

iPad

The following table presents iPad net sales and unit sales information for 2015, 2014 and 2013 (dollars in millions and units in thousands):

	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>	<u>2013</u>
Net sales	\$ 23,227	(23)%	\$ 30,283	(5)%	\$ 31,980
Percentage of total net sales	10%		17%		19%
Unit sales	54,856	(19)%	67,977	(4)%	71,033

Net sales and unit sales for iPad declined during 2015 compared to 2014. The Company believes the decline in iPad sales is due in part to a longer repurchase cycle for iPads and some level of cannibalization from the Company's other products. iPad ASPs declined by 5% during 2015 compared to 2014, primarily as a result of the effect of weakness in most foreign currencies relative to the U.S. dollar and a shift in mix to lower-priced iPads.

Net sales and unit sales for iPad declined in 2014 compared to 2013. iPad net sales and unit sales grew in the Greater China and Japan segments but this growth was more than offset by a decline in all other segments. Overall iPad ASPs were relatively flat in 2014 compared to 2013 with a shift in mix to higher-priced iPads being offset by the October 2013 price reduction of iPad mini™. ASPs increased in the Japan and Rest of Asia Pacific segments but were slightly down in other segments.

Mac

The following table presents Mac net sales and unit sales information for 2015, 2014 and 2013 (dollars in millions and units in thousands):

	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>	<u>2013</u>
Net sales	\$ 25,471	6%	\$ 24,079	12%	\$ 21,483
Percentage of total net sales	11%		13%		13%
Unit sales	20,587	9%	18,906	16%	16,341

The year-over-year growth in Mac net sales and unit sales during 2015 was driven by strong demand for Mac portables. Mac ASPs declined 3% during 2015 compared to 2014 largely due to the effect of weakness in most foreign currencies relative to the U.S. dollar.

The year-over-year growth in Mac net sales and unit sales for 2014 was primarily driven by increased sales of MacBook Air, MacBook Pro and Mac Pro. Mac net sales and unit sales increased in all of the Company's operating segments. Mac ASPs decreased during 2014 compared to 2013 primarily due to price reductions on certain Mac models and a shift in mix towards Mac portable systems.

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Services

The following table presents net sales information of Services for 2015, 2014 and 2013 (dollars in millions):

	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>	<u>2013</u>
Net sales	\$ 19,909	10%	\$ 18,063	13%	\$ 16,051
Percentage of total net sales	9%		10%		9%

The increase in net sales of Services during 2015 compared to 2014 was primarily due to growth from Internet Services and licensing. The App Store, included within Internet Services, generated strong year-over-year net sales growth of 29%.

The increase in net sales of Services in 2014 compared to 2013 was primarily due to growth in net sales from Internet Services, AppleCare and licensing. Internet Services generated a total of \$10.2 billion in net sales during 2014 compared to \$9.3 billion during 2013. Growth in net sales from Internet Services was driven by increases in revenue from app sales reflecting continued growth in the installed base of iOS devices and the expanded offerings of iOS apps and related in-app purchases. This was partially offset by a decline in sales of digital music.

Segment Operating Performance

The Company manages its business primarily on a geographic basis. The Company's reportable operating segments consist of the Americas, Europe, Greater China, Japan and Rest of Asia Pacific. The Americas segment includes both North and South America. The Europe segment includes European countries, as well as India, the Middle East and Africa. The Greater China segment includes China, Hong Kong and Taiwan. The Rest of Asia Pacific segment includes Australia and those Asian countries not included in the Company's other reportable operating segments. Although, each reportable operating segment provides similar hardware and software products and similar services, they are managed separately to better align with the location of the Company's customers and distribution partners and the unique market dynamics of each geographic region. Further information regarding the Company's reportable operating segments can be found in Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 11, "Segment Information and Geographic Data."

Americas

The following table presents Americas net sales information for 2015, 2014 and 2013 (dollars in millions):

	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>	<u>2013</u>
Net sales	\$ 93,864	17%	\$ 80,095	4%	\$ 77,093
Percentage of total net sales	40%		44%		45%

The year-over-year growth in Americas net sales during 2015 was driven primarily by growth in net sales and unit sales of iPhone, partially offset by a decline in net sales and unit sales of iPad.

The growth in the Americas segment in 2014 was due to increased net sales of iPhone, Mac and Services that was partially offset by a decline in net sales of iPad and Other Products and weakness in foreign currencies relative to the U.S. dollar compared to 2013. iPhone growth resulted primarily from the successful introduction of iPhone 5s and 5c in September 2013 and the successful launch of iPhone 6 and 6 Plus in September 2014. Mac growth was driven primarily by increased net sales and unit sales of MacBook Air and Mac Pro.

Europe

The following table presents Europe net sales information for 2015, 2014 and 2013 (dollars in millions):

	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>	<u>2013</u>
Net sales	\$ 50,337	14%	\$ 44,285	8%	\$ 40,980
Percentage of total net sales	22%		24%		24%

The year-over-year increase in Europe net sales during 2015 was driven primarily by growth in net sales and unit sales of iPhone, partially offset by the effect of weakness in foreign currencies relative to the U.S. dollar and a decline in net sales and unit sales of iPad.

The growth in the Europe segment in 2014 was due to increased net sales of iPhone, Mac and Services, as well as strength in European currencies relative to the U.S. dollar, partially offset by a decline in net sales of iPad. iPhone growth resulted primarily from the successful introduction of iPhone 5s and 5c in the second half of calendar 2013 and the successful launch of iPhone 6 and 6 Plus in over 20 countries in Europe in September 2014. Mac growth was driven primarily by increased net sales and unit sales of MacBook Air, MacBook Pro and Mac Pro.

[Table of Contents](#)*Greater China*

The following table presents Greater China net sales information for 2015, 2014 and 2013 (dollars in millions):

	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>	<u>2013</u>
Net sales	\$ 58,715	84%	\$ 31,853	18%	\$ 27,016
Percentage of total net sales	25%		17%		16%

Greater China experienced strong year-over-year increases in net sales during 2015 driven primarily by iPhone sales.

The Greater China segment experienced year-over-year growth in net sales in 2014 that was significantly higher than the growth rate for the Company overall. Greater China growth was driven by higher unit sales and net sales of all major product categories, in addition to higher net sales of Services. Growth in net sales and unit sales of iPhone was especially strong, driven by the successful launch of iPhone 5s and 5c in Mainland China and Hong Kong in September 2013, the successful launch of iPhone 6 and 6 Plus in Hong Kong in September 2014, increased demand for the Company's entry-priced iPhones and the addition of a significant new carrier in the second quarter of 2014.

Japan

The following table presents Japan net sales information for 2015, 2014 and 2013 (dollars in millions):

	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>	<u>2013</u>
Net sales	\$ 15,706	3%	\$ 15,314	11%	\$ 13,782
Percentage of total net sales	7%		8%		8%

The year-over-year increase in Japan net sales during 2015 was driven primarily by growth in Services largely associated with strong App Store sales, partially offset by the effect of weakness in the Japanese yen relative to the U.S. dollar.

In 2014 the Japan segment generated year-over-year increases in net sales and unit sales of every major product category and experienced growth in net sales of Services. The year-over-year growth in iPhone was driven by the successful launch of iPhone 5s and 5c in September 2013, the successful launch of iPhone 6 and 6 Plus in September 2014, increased demand for the Company's entry-priced iPhones and the addition of a significant new carrier in the fourth quarter of 2013. These positive factors were partially offset by weakness in the Japanese Yen relative to the U.S. dollar.

Rest of Asia Pacific

The following table presents Rest of Asia Pacific net sales information for 2015, 2014 and 2013 (dollars in millions):

	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>	<u>2013</u>
Net sales	\$ 15,093	34%	\$ 11,248	(7)%	\$ 12,039
Percentage of total net sales	6%		6%		7%

The year-over-year increase in Rest of Asia Pacific net sales during 2015 primarily reflects strong growth in net sales and unit sales of iPhone, partially offset by the effect of weakness in foreign currencies relative to the U.S. dollar and a decline in net sales and unit sales of iPad.

Net sales in the Rest of Asia Pacific segment declined in 2014 compared to 2013 due to year-over-year reductions in net sales in all major product categories except Mac and reductions in unit sales of iPad. Net sales in 2014 were also negatively affected by the weakness in several foreign currencies relative to the U.S. dollar, including the Australian dollar.

[Table of Contents](#)**Gross Margin**

Gross margin for 2015, 2014 and 2013 is as follows (dollars in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net sales	\$ 233,715	\$ 182,795	\$ 170,910
Cost of sales	140,089	112,258	106,606
Gross margin	<u>\$ 93,626</u>	<u>\$ 70,537</u>	<u>\$ 64,304</u>
Gross margin percentage	40.1%	38.6%	37.6%

The year-over-year increase in the gross margin percentage in 2015 was driven primarily by a favorable shift in mix to products with higher margins and, to a lesser extent, by improved leverage on fixed costs from higher net sales. These positive factors were partially offset primarily by higher product cost structures and, to a lesser extent, by the effect of weakness in most foreign currencies relative to the U.S. dollar.

The year-over-year increase in the gross margin percentage in 2014 was driven by multiple factors including lower commodity costs, a favorable shift in mix to products with higher margins and improved leverage on fixed costs from higher net sales, which was partially offset by the weakness in several foreign currencies relative to the U.S. dollar, price reductions on select products and higher cost structures on certain new products.

The Company anticipates gross margin during the first quarter of 2016 to be between 39% and 40%. The foregoing statement regarding the Company's expected gross margin percentage in the first quarter of 2016 is forward-looking and could differ from actual results. The Company's future gross margins can be impacted by multiple factors including, but not limited to, those set forth in Part I, Item 1A of this Form 10-K under the heading "Risk Factors" and those described in this paragraph. In general, the Company believes gross margins will remain under downward pressure due to a variety of factors, including continued industry wide global product pricing pressures, increased competition, compressed product life cycles, product transitions, potential increases in the cost of components, and potential strengthening of the U.S. dollar, as well as potential increases in the costs of outside manufacturing services and a potential shift in the Company's sales mix towards products with lower gross margins. In response to competitive pressures, the Company expects it will continue to take product pricing actions, which would adversely affect gross margins. Gross margins could also be affected by the Company's ability to manage product quality and warranty costs effectively and to stimulate demand for certain of its products. Due to the Company's significant international operations, its financial condition and operating results, including gross margins, could be significantly affected by fluctuations in exchange rates.

Operating Expenses

Operating expenses for 2015, 2014 and 2013 are as follows (dollars in millions):

	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>	<u>2013</u>
Research and development	\$ 8,067	34%	\$ 6,041	35%	\$ 4,475
Percentage of total net sales	3%		3%		3%
Selling, general and administrative	\$ 14,329	19%	\$ 11,993	11%	\$ 10,830
Percentage of total net sales	6%		7%		6%
Total operating expenses	\$ 22,396	24%	\$ 18,034	18%	\$ 15,305
Percentage of total net sales	10%		10%		9%

Research and Development

The year-over-year growth in R&D expense in 2015 and 2014 was driven primarily by an increase in headcount and related expenses, including share-based compensation costs, and material costs to support expanded R&D activities. The Company continues to believe that focused investments in R&D are critical to its future growth and competitive position in the marketplace and are directly related to timely development of new and updated products that are central to the Company's core business strategy.

Selling, General and Administrative

The year-over-year growth in selling, general and administrative expense in 2015 and 2014 was primarily due to increased headcount and related expenses, including share-based compensation costs, and higher spending on marketing and advertising.

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Other income/(expense), net for 2015, 2014 and 2013 are as follows (dollars in millions):

	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>	<u>2013</u>
Interest and dividend income	\$ 2,921		\$ 1,795		\$ 1,616
Interest expense	(733)		(384)		(136)
Other expense, net	(903)		(431)		(324)
Total other income/(expense), net	<u>\$ 1,285</u>	31%	<u>\$ 980</u>	(15)%	<u>\$ 1,156</u>

The increase in other income/(expense), net during 2015 compared to 2014 was due primarily to higher interest income, partially offset by higher expenses associated with foreign exchange activity and higher interest expense on debt. The decrease in other income and expense during 2014 compared to 2013 was due primarily to higher interest expense on debt and higher expenses associated with foreign exchange rate movements, partially offset by lower premium expenses on foreign exchange contracts and higher interest income. The weighted-average interest rate earned by the Company on its cash, cash equivalents and marketable securities was 1.49%, 1.11% and 1.03% in 2015, 2014 and 2013, respectively.

Provision for Income Taxes

Provision for income taxes and effective tax rates for 2015, 2014 and 2013 are as follows (dollars in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Provision for income taxes	\$ 19,121	\$ 13,973	\$ 13,118
Effective tax rate	26.4%	26.1%	26.2%

The Company's effective tax rates for 2015, 2014 and 2013 differ from the statutory federal income tax rate of 35% due primarily to certain undistributed foreign earnings, a substantial portion of which was generated by subsidiaries organized in Ireland, for which no U.S. taxes are provided when such earnings are intended to be indefinitely reinvested outside the U.S. The higher effective tax rate during 2015 compared to 2014 was due primarily to higher foreign taxes. The effective tax rate in 2014 compared to 2013 was relatively flat.

As of September 26, 2015, the Company had deferred tax assets arising from deductible temporary differences, tax losses and tax credits of \$7.8 billion and deferred tax liabilities of \$24.1 billion. Management believes it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, together with future reversals of existing taxable temporary differences, will be sufficient to fully recover the deferred tax assets. The Company will continue to evaluate the realizability of deferred tax assets quarterly by assessing the need for and the amount of a valuation allowance.

The U.S. Internal Revenue Service is currently examining the years 2010 through 2012, and all years prior to 2010 are closed. In addition, the Company is subject to audits by state, local and foreign tax authorities. In major states and major foreign jurisdictions, the years subsequent to 2003 generally remain open and could be subject to examination by the taxing authorities. Management believes that adequate provisions have been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income taxes in the period such resolution occurs.

On June 11, 2014, the European Commission issued an opening decision initiating a formal investigation against Ireland for alleged state aid to the Company. The opening decision concerns the allocation of profits for taxation purposes of the Irish branches of two subsidiaries of the Company. The Company believes the European Commission's assertions are without merit. If the European Commission were to conclude against Ireland, the European Commission could require Ireland to recover from the Company past taxes covering a period of up to 10 years reflective of the disallowed state aid. While such amount could be material, as of September 26, 2015 the Company is unable to estimate the impact.

[Table of Contents](#)**Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers.

The original effective date for ASU 2014-09 would have required the Company to adopt beginning in its first quarter of 2018. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606) – Deferral of the Effective Date, which defers the effective date of ASU 2014-09 for one year and permits early adoption as early as the original effective date of ASU 2014-09. Accordingly, the Company may adopt the standard in either its first quarter of 2018 or 2019. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company is currently evaluating the timing of its adoption and the impact of adopting the new revenue standard on its consolidated financial statements.

Liquidity and Capital Resources

The following table presents selected financial information and statistics as of and for the years ended September 26, 2015, September 27, 2014 and September 28, 2013 (in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash, cash equivalents and marketable securities	\$ 205,666	\$ 155,239	\$ 146,761
Property, plant and equipment, net	\$ 22,471	\$ 20,624	\$ 16,597
Commercial paper	\$ 8,499	\$ 6,308	\$ 0
Total term debt	\$ 55,963	\$ 28,987	\$ 16,960
Working capital	\$ 8,768	\$ 5,083	\$ 29,628
Cash generated by operating activities	\$ 81,266	\$ 59,713	\$ 53,666
Cash used in investing activities	\$ (56,274)	\$ (22,579)	\$ (33,774)
Cash used in financing activities	\$ (17,716)	\$ (37,549)	\$ (16,379)

The Company believes its existing balances of cash, cash equivalents and marketable securities will be sufficient to satisfy its working capital needs, capital asset purchases, outstanding commitments and other liquidity requirements associated with its existing operations over the next 12 months. The Company currently anticipates the cash used for future dividends, the share repurchase program and debt repayments will come from its current domestic cash, cash generated from on-going U.S. operating activities and from borrowings.

As of September 26, 2015 and September 27, 2014, the Company's cash, cash equivalents and marketable securities held by foreign subsidiaries were \$186.9 billion and \$137.1 billion, respectively, and are generally based in U.S. dollar-denominated holdings. Amounts held by foreign subsidiaries are generally subject to U.S. income taxation on repatriation to the U.S. The Company's marketable securities investment portfolio is invested primarily in highly-rated securities and its investment policy generally limits the amount of credit exposure to any one issuer. The policy requires investments generally to be investment grade with the objective of minimizing the potential risk of principal loss.

During 2015, cash generated from operating activities of \$81.3 billion was a result of \$53.4 billion of net income, non-cash adjustments to net income of \$16.2 billion and an increase in the net change in operating assets and liabilities of \$11.7 billion. Cash used in investing activities of \$56.3 billion during 2015 consisted primarily of cash used for purchases of marketable securities, net of sales and maturities, of \$44.4 billion and cash used to acquire property, plant and equipment of \$11.2 billion. Cash used in financing activities of \$17.7 billion during 2015 consisted primarily of cash used to repurchase common stock of \$35.3 billion and cash used to pay dividends and dividend equivalents of \$11.6 billion, partially offset by net proceeds from the issuance of term debt of \$27.1 billion.

During 2014, cash generated from operating activities of \$59.7 billion was a result of \$39.5 billion of net income, non-cash adjustments to net income of \$13.2 billion and an increase in net change in operating assets and liabilities of \$7.0 billion. Cash used in investing activities of \$22.6 billion during 2014 consisted primarily of cash used for purchases of marketable securities, net of sales and maturities, of \$9.0 billion; cash used to acquire property, plant and equipment of \$9.6 billion; and cash paid for business acquisitions, net of cash acquired, of \$3.8 billion. Cash used in financing activities of \$37.5 billion during 2014 consisted primarily of cash used to repurchase common stock of \$45.0 billion and cash used to pay dividends and dividend equivalents of \$11.1 billion, partially offset by net proceeds from the issuance of term debt and commercial paper of \$12.0 billion and \$6.3 billion, respectively.

[Table of Contents](#)**Capital Assets**

The Company's capital expenditures were \$11.2 billion during 2015. The Company anticipates utilizing approximately \$15.0 billion for capital expenditures during 2016, which includes product tooling and manufacturing process equipment; data centers; corporate facilities and infrastructure, including information systems hardware, software and enhancements; and retail store facilities.

Debt

In 2014, the Board of Directors authorized the Company to issue unsecured short-term promissory notes ("Commercial Paper") pursuant to a commercial paper program. The Company intends to use the net proceeds from the commercial paper program for general corporate purposes, including dividends and share repurchases. As of September 26, 2015, the Company had \$8.5 billion of Commercial Paper outstanding, with a weighted-average interest rate of 0.14% and maturities generally less than nine months.

As of September 26, 2015, the Company has outstanding floating- and fixed-rate notes for an aggregate principal amount of \$55.7 billion (collectively the "Notes"). The Company has entered, and in the future may enter, into interest rate swaps to manage interest rate risk on the Notes. In addition, the Company has entered, and in the future may enter, into currency swaps to manage foreign currency risk on the Notes. The future principal payments for the Company's Notes as of September 26, 2015 are as follows (in millions):

2016	\$ 2,500
2017	3,500
2018	6,000
2019	3,775
2020	5,581
Thereafter	34,345
Total term debt	<u>\$ 55,701</u>

Further information regarding the Company's debt issuances and related hedging activity can be found in Part II, Item 8 of this Form 10-K in the Notes to the Consolidated Financial Statements in Note 2, "Financial Instruments" and Note 6, "Debt."

Capital Return Program

In April 2015, the Company's Board of Directors increased the share repurchase program authorization from \$90 billion to \$140 billion of the Company's common stock, increasing the expected total size of the capital return program to \$200 billion. The Company expects to execute the capital return program by the end of March 2017 by paying dividends and dividend equivalents, repurchasing shares and remitting withheld taxes related to net share settlement of restricted stock units. To assist in funding its capital return program, the Company expects to continue to access the debt markets, both domestically and internationally. As of September 26, 2015, \$104 billion of the share repurchase program has been utilized. The Company's share repurchase program does not obligate it to acquire any specific number of shares. Under the program, shares may be repurchased in privately negotiated or open market transactions, including under plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

In April 2015, the Company's Board of Directors raised the quarterly cash dividend by 11%. The Company plans to increase its dividend on an annual basis subject to declaration by the Board of Directors.

The following table presents the Company's dividends, dividend equivalents, share repurchases and net share settlement activity from the start of the capital return program in August 2012 through September 26, 2015 (in millions):

	Dividends and Dividend Equivalents Paid	Accelerated Share Repurchases	Open Market Share Repurchases	Taxes Related to Settlement of Equity Awards	Total
2015	\$ 11,561	\$ 6,000	\$ 30,026	\$ 1,499	\$ 49,086
2014	11,126	21,000	24,000	1,158	57,284
2013	10,564	13,950	9,000	1,082	34,596
2012	2,488	0	0	56	2,544
Total	<u>\$ 35,739</u>	<u>\$ 40,950</u>	<u>\$ 63,026</u>	<u>\$ 3,795</u>	<u>\$ 143,510</u>

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Off-Balance Sheet Arrangements and Contractual Obligations

The Company has not entered into any transactions with unconsolidated entities whereby the Company has financial guarantees, subordinated retained interests, derivative instruments, or other contingent arrangements that expose the Company to material continuing risks, contingent liabilities, or any other obligation under a variable interest in an unconsolidated entity that provides financing, liquidity, market risk, or credit risk support to the Company, or engages in leasing, hedging, or R&D services with the Company.

The following table presents certain payments due by the Company under contractual obligations with minimum firm commitments as of September 26, 2015, and excludes amounts already recorded on the Consolidated Balance Sheet, except for term debt (in millions):

	Payments Due in Less Than 1 Year	Payments Due in 1-3 Years	Payments Due in 4-5 Years	Payments Due in More Than 5 Years	Total
Term debt	\$ 2,500	\$ 9,500	\$ 9,356	\$ 34,345	\$ 55,701
Operating leases	772	1,518	1,389	2,592	6,271
Purchase commitments	29,464	0	0	0	29,464
Other obligations	4,553	1,898	53	757	7,261
Total	\$ 37,289	\$ 12,916	\$ 10,798	\$ 37,694	\$ 98,697

Operating Leases

The Company's major facility leases are typically for terms not exceeding 10 years and generally contain multi-year renewal options. As of September 26, 2015, the Company had a total of 463 retail stores. Leases for retail space are for terms ranging from five to 20 years, the majority of which are for 10 years, and often contain multi-year renewal options. As of September 26, 2015, the Company's total future minimum lease payments under noncancelable operating leases were \$6.3 billion, of which \$3.6 billion related to leases for retail space.

Purchase Commitments

The Company utilizes several outsourcing partners to manufacture sub-assemblies for the Company's products and to perform final assembly and testing of finished products. These outsourcing partners acquire components and build product based on demand information supplied by the Company, which typically covers periods up to 150 days. The Company also obtains individual components for its products from a wide variety of individual suppliers. Consistent with industry practice, the Company acquires components through a combination of purchase orders, supplier contracts, and open orders based on projected demand information. Where appropriate, the purchases are applied to inventory component prepayments that are outstanding with the respective supplier. As of September 26, 2015, the Company had outstanding off-balance sheet third-party manufacturing commitments and component purchase commitments of \$29.5 billion.

Other Obligations

The Company's other off-balance sheet obligations were comprised of commitments to acquire capital assets, including product tooling and manufacturing process equipment, and commitments related to inventory prepayments, advertising, licensing, R&D, internet and telecommunications services, energy and other obligations.

The Company's other non-current liabilities in the Consolidated Balance Sheets consist primarily of deferred tax liabilities, gross unrecognized tax benefits and the related gross interest and penalties. As of September 26, 2015, the Company had non-current deferred tax liabilities of \$24.1 billion. Additionally, as of September 26, 2015, the Company had gross unrecognized tax benefits of \$6.9 billion and an additional \$1.3 billion for gross interest and penalties classified as non-current liabilities. At this time, the Company is unable to make a reasonably reliable estimate of the timing of payments in individual years in connection with these tax liabilities; therefore, such amounts are not included in the above contractual obligation table.

Indemnification

The Company generally does not indemnify end-users of its operating system and application software against legal claims that the software infringes third-party intellectual property rights. Other agreements entered into by the Company sometimes include indemnification provisions under which the Company could be subject to costs and/or damages in the event of an infringement claim against the Company or an indemnified third-party. In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss with respect to indemnification of end-users of its operating system or application software for infringement of third-party intellectual property rights. The Company did not record a liability for infringement costs related to indemnification as of September 26, 2015 or September 27, 2014.

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In September 2015, the Company introduced the iPhone Upgrade Program, which is available to customers who purchase an iPhone 6s and 6s Plus in one of its U.S. physical retail stores and activate the purchased iPhone with one of the four national carriers. The iPhone Upgrade Program provides customers the right to trade in that iPhone for a new iPhone, provided certain conditions are met. One of the conditions of this program requires the customer to finance the initial purchase price of the iPhone with a third-party lender. Upon exercise of the trade-in right and purchase of a new iPhone, the Company satisfies the customer's outstanding balance due to the third-party lender on the original device. The Company accounts for the trade-in right as a guarantee liability and recognizes arrangement revenue net of the fair value of such right with subsequent changes to the guarantee liability recognized within revenue.

The Company has entered into indemnification agreements with its directors and executive officers. Under these agreements, the Company has agreed to indemnify such individuals to the fullest extent permitted by law against liabilities that arise by reason of their status as directors or officers and to advance expenses incurred by such individuals in connection with related legal proceedings. It is not possible to determine the maximum potential amount of payments the Company could be required to make under these agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each claim. However, the Company maintains directors and officers liability insurance coverage to reduce its exposure to such obligations.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles ("GAAP") and the Company's discussion and analysis of its financial condition and operating results require the Company's management to make judgments, assumptions and estimates that affect the amounts reported in its consolidated financial statements and accompanying notes. Note 1, "Summary of Significant Accounting Policies," of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K describes the significant accounting policies and methods used in the preparation of the Company's consolidated financial statements. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates, and such differences may be material.

Management believes the Company's critical accounting policies and estimates are those related to revenue recognition, valuation and impairment of marketable securities, inventory valuation and valuation of manufacturing-related assets and estimated purchase commitment cancellation fees, warranty costs, income taxes, and legal and other contingencies. Management considers these policies critical because they are both important to the portrayal of the Company's financial condition and operating results, and they require management to make judgments and estimates about inherently uncertain matters. The Company's senior management has reviewed these critical accounting policies and related disclosures with the Audit and Finance Committee of the Company's Board of Directors.

Revenue Recognition

Net sales consist primarily of revenue from the sale of hardware, software, digital content and applications, accessories, and service and support contracts. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection is probable. Product is considered delivered to the customer once it has been shipped and title, risk of loss and rewards of ownership have been transferred. For most of the Company's product sales, these criteria are met at the time the product is shipped. For online sales to individuals, for some sales to education customers in the U.S., and for certain other sales, the Company defers revenue until the customer receives the product because the Company retains a portion of the risk of loss on these sales during transit. For payment terms in excess of the Company's standard payment terms, revenue is recognized as payments become due unless the Company has positive evidence that the sales price is fixed or determinable, such as a successful history of collection, without concession, on comparable arrangements. The Company recognizes revenue from the sale of hardware products, software bundled with hardware that is essential to the functionality of the hardware and third-party digital content sold on the iTunes Store in accordance with general revenue recognition accounting guidance. The Company recognizes revenue in accordance with industry-specific software accounting guidance for the following types of sales transactions: (i) standalone sales of software products, (ii) sales of software upgrades and (iii) sales of software bundled with hardware not essential to the functionality of the hardware.

For multi-element arrangements that include hardware products containing software essential to the hardware product's functionality, undelivered software elements that relate to the hardware product's essential software and/or undelivered non-software services, the Company allocates revenue to all deliverables based on their relative selling prices. In such circumstances, the Company uses a hierarchy to determine the selling price to be used for allocating revenue to deliverables: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of selling price ("TPE") and (iii) best estimate of selling price ("ESP"). VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable. ESPs reflect the Company's best estimates of what the selling prices of elements would be if they were sold regularly on a stand-alone basis.

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For sales of qualifying versions of iOS devices, Mac, Apple Watch and Apple TV, the Company has indicated it may from time to time provide future unspecified software upgrades to the device's essential software and/or non-software services free of charge. Because the Company has neither VSOE nor TPE for the unspecified software upgrade rights or the non-software services, revenue is allocated to these rights and services based on the Company's ESPs. Revenue allocated to the unspecified software upgrade rights and non-software services based on the Company's ESPs is deferred and recognized on a straight-line basis over the estimated period the software upgrades and non-software services are expected to be provided.

The Company's process for determining ESPs involves management's judgment and considers multiple factors that may vary over time depending upon the unique facts and circumstances related to each deliverable. Should future facts and circumstances change, the Company's ESPs and the future rate of related amortization for unspecified software upgrades and non-software services related to future sales of these devices could change. Factors subject to change include the unspecified software upgrade rights and non-software services offered, the estimated value of unspecified software upgrade rights and non-software services and the estimated period unspecified software upgrades and non-software services are expected to be provided.

The Company records reductions to revenue for estimated commitments related to price protection and other customer incentive programs. For transactions involving price protection, the Company recognizes revenue net of the estimated amount to be refunded, provided the refund amount can be reasonably and reliably estimated and the other conditions for revenue recognition have been met. The Company's policy requires that, if refunds cannot be reliably estimated, revenue is not recognized until reliable estimates can be made or the price protection lapses. For the Company's other customer incentive programs, the estimated cost is recognized at the later of the date at which the Company has sold the product or the date at which the program is offered. The Company also records reductions to revenue for expected future product returns based on the Company's historical experience. Future market conditions and product transitions may require the Company to increase customer incentive programs that could result in reductions to future revenue. Additionally, certain customer incentive programs require management to estimate the number of customers who will actually redeem the incentive. Management's estimates are based on historical experience and the specific terms and conditions of particular incentive programs. If a greater than estimated proportion of customers redeems such incentives, the Company would be required to record additional reductions to revenue, which would have an adverse impact on the Company's operating results.

Valuation and Impairment of Marketable Securities

The Company's investments in available-for-sale securities are reported at fair value. Unrealized gains and losses related to changes in the fair value of securities are recognized in accumulated other comprehensive income, net of tax, in the Company's Consolidated Balance Sheets. Changes in the fair value of available-for-sale securities impact the Company's net income only when such securities are sold or an other-than-temporary impairment is recognized. Realized gains and losses on the sale of securities are determined by specific identification of each security's cost basis. The Company regularly reviews its investment portfolio to determine if any security is other-than-temporarily impaired, which would require the Company to record an impairment charge in the period any such determination is made. In making this judgment, the Company evaluates, among other things, the duration and extent to which the fair value of a security is less than its cost; the financial condition of the issuer and any changes thereto; and the Company's intent to sell, or whether it will more likely than not be required to sell, the security before recovery of its amortized cost basis. The Company's assessment on whether a security is other-than-temporarily impaired could change in the future due to new developments or changes in assumptions related to any particular security, which would have an adverse impact on the Company's operating results.

Inventory Valuation and Valuation of Manufacturing-Related Assets and Estimated Purchase Commitment Cancellation Fees

The Company must purchase components and build inventory in advance of product shipments and has invested in manufacturing-related assets, including capital assets held at its suppliers' facilities. In addition, the Company has made prepayments to certain of its suppliers associated with long-term supply agreements to secure supply of inventory components. The Company records a write-down for inventories of components and products, including third-party products held for resale, which have become obsolete or are in excess of anticipated demand or net realizable value. The Company performs a detailed review of inventory that considers multiple factors including demand forecasts, product life cycle status, product development plans, current sales levels and component cost trends. The Company also reviews its manufacturing-related capital assets and inventory prepayments for impairment whenever events or circumstances indicate the carrying amount of such assets may not be recoverable. If the Company determines that an asset is not recoverable, it records an impairment loss equal to the amount by which the carrying value of such an asset exceeds its fair value.

The industries in which the Company competes are subject to a rapid and unpredictable pace of product and component obsolescence and demand changes. In certain circumstances the Company may be required to record additional write-downs of inventory and/or manufacturing-related assets. These circumstances include future demand or market conditions for the Company's products being less favorable than forecasted, unforeseen technological changes or changes to the Company's product development plans that negatively impact the utility of any of these assets, or significant deterioration in the financial condition of one or more of the Company's suppliers that hold any of the Company's manufacturing-related assets or to whom the Company has made an inventory prepayment. Such write-downs would adversely affect the Company's financial condition and operating results in the period when the write-downs were recorded.

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The Company accrues for estimated cancellation fees related to inventory orders that have been cancelled or are expected to be cancelled. Consistent with industry practice, the Company acquires components through a combination of purchase orders, supplier contracts, and open orders in each case based on projected demand. Where appropriate, the purchases are applied to inventory component prepayments that are outstanding with the respective supplier. Purchase commitments typically cover the Company's forecasted component and manufacturing requirements for periods up to 150 days. If there is an abrupt and substantial decline in demand for one or more of the Company's products, a change in the Company's product development plans, or an unanticipated change in technological requirements for any of the Company's products, the Company may be required to record additional accruals for cancellation fees that would adversely affect its results of operations in the period when the cancellation fees are identified and recorded.

Warranty Costs

The Company accrues for the estimated cost of warranties at the time the related revenue is recognized based on historical and projected warranty claim rates, historical and projected cost-per-claim and knowledge of specific product failures that are outside of the Company's typical experience. The Company regularly reviews these estimates to assess the adequacy of its recorded warranty liabilities or the current installed base of products subject to warranty protection and adjusts the amounts as necessary. If actual product failure rates or repair costs differ from estimates, revisions to the estimated warranty liabilities would be required and could materially affect the Company's financial condition and operating results.

Income Taxes

The Company records a tax provision for the anticipated tax consequences of its reported operating results. The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets and liabilities are expected to be realized or settled. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

The Company recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Management believes it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, together with future reversals of existing taxable temporary differences, will be sufficient to fully recover the deferred tax assets. In the event that the Company determines all or part of the net deferred tax assets are not realizable in the future, the Company will record an adjustment to the valuation allowance that would be charged to earnings in the period such determination is made. In addition, the calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of GAAP and complex tax laws. Resolution of these uncertainties in a manner inconsistent with management's expectations could have a material impact on the Company's financial condition and operating results.

Legal and Other Contingencies

As discussed in Part I, Item 3 of this Form 10-K under the heading "Legal Proceedings" and in Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 10, "Commitments and Contingencies," the Company is subject to various legal proceedings and claims that arise in the ordinary course of business. The Company records a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. There is significant judgment required in both the probability determination and as to whether an exposure can be reasonably estimated. In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss, or a material loss in excess of a recorded accrual, with respect to loss contingencies for asserted legal and other claims. However, the outcome of legal proceedings and claims brought against the Company is subject to significant uncertainty. Therefore, although management considers the likelihood of such an outcome to be remote, if one or more of these legal matters were resolved against the Company in a reporting period for amounts in excess of management's expectations, the Company's consolidated financial statements for that reporting period could be materially adversely affected.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate and Foreign Currency Risk Management

The Company regularly reviews its foreign exchange forward and option positions and interest rate swaps, both on a stand-alone basis and in conjunction with its underlying foreign currency and interest rate related exposures. Given the effective horizons of the Company's risk management activities and the anticipatory nature of the exposures, there can be no assurance these positions will offset more than a portion of the financial impact resulting from movements in either foreign exchange or interest rates. Further, the recognition of the gains and losses related to these instruments may not coincide with the timing of gains and losses related to the underlying economic exposures and, therefore, may adversely affect the Company's financial condition and operating results.

Interest Rate Risk

The Company's exposure to changes in interest rates relates primarily to the Company's investment portfolio and outstanding debt. While the Company is exposed to global interest rate fluctuations, the Company's interest income and expense are most sensitive to fluctuations in U.S. interest rates. Changes in U.S. interest rates affect the interest earned on the Company's cash, cash equivalents and marketable securities and the fair value of those securities, as well as costs associated with hedging and interest paid on the Company's debt.

The Company's investment policy and strategy are focused on preservation of capital and supporting the Company's liquidity requirements. The Company uses a combination of internal and external management to execute its investment strategy and achieve its investment objectives. The Company typically invests in highly-rated securities, and its investment policy generally limits the amount of credit exposure to any one issuer. The policy requires investments generally to be investment grade, with the primary objective of minimizing the potential risk of principal loss. To provide a meaningful assessment of the interest rate risk associated with the Company's investment portfolio, the Company performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of the investment portfolio assuming a 100 basis point parallel shift in the yield curve. Based on investment positions as of September 26, 2015 and September 27, 2014, a hypothetical 100 basis point increase in interest rates across all maturities would result in a \$4.3 billion and \$3.4 billion incremental decline in the fair market value of the portfolio, respectively. Such losses would only be realized if the Company sold the investments prior to maturity.

As of September 26, 2015 and September 27, 2014, the Company had outstanding floating- and fixed-rate notes with varying maturities for an aggregate carrying amount of \$56.0 billion and \$29.0 billion, respectively. The Company has entered, and may enter in the future, into interest rate swaps to manage interest rate risk on its outstanding term debt. Interest rate swaps allow the Company to effectively convert fixed-rate payments into floating-rate payments or floating-rate payments into fixed-rate payments. Gains and losses on these instruments are generally offset by the corresponding losses and gains on the related hedging instrument. A 100 basis point increase in market interest rates would cause interest expense on the Company's debt as of September 26, 2015 and September 27, 2014 to increase by \$200 million and \$110 million on an annualized basis, respectively.

Further details regarding the Company's debt is provided in Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 6, "Debt."

Foreign Currency Risk

In general, the Company is a net receiver of currencies other than the U.S. dollar. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, will negatively affect the Company's net sales and gross margins as expressed in U.S. dollars. There is a risk that the Company will have to adjust local currency product pricing due to competitive pressures when there have been significant volatility in foreign currency exchange rates.

The Company may enter into foreign currency forward and option contracts with financial institutions to protect against foreign exchange risks associated with certain existing assets and liabilities, certain firmly committed transactions, forecasted future cash flows and net investments in foreign subsidiaries. In addition, the Company has entered, and may enter in the future, into non-designated foreign currency contracts to partially offset the foreign currency exchange gains and losses on its foreign-denominated debt issuances. The Company's practice is to hedge a portion of its material foreign exchange exposures, typically for up to 12 months. However, the Company may choose not to hedge certain foreign exchange exposures for a variety of reasons, including but not limited to accounting considerations and the prohibitive economic cost of hedging particular exposures.

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To provide a meaningful assessment of the foreign currency risk associated with certain of the Company's foreign currency derivative positions, the Company performed a sensitivity analysis using a value-at-risk ("VAR") model to assess the potential impact of fluctuations in exchange rates. The VAR model consisted of using a Monte Carlo simulation to generate thousands of random market price paths assuming normal market conditions. The VAR is the maximum expected loss in fair value, for a given confidence interval, to the Company's foreign currency derivative positions due to adverse movements in rates. The VAR model is not intended to represent actual losses but is used as a risk estimation and management tool. The model assumes normal market conditions. Forecasted transactions, firm commitments and assets and liabilities denominated in foreign currencies were excluded from the model. Based on the results of the model, the Company estimates with 95% confidence a maximum one-day loss in fair value of \$342 million as of September 26, 2015 compared to a maximum one-day loss in fair value of \$240 million as of September 27, 2014. Because the Company uses foreign currency instruments for hedging purposes, the loss in fair value incurred on those instruments are generally offset by increases in the fair value of the underlying exposures.

Actual future gains and losses associated with the Company's investment portfolio and derivative positions may differ materially from the sensitivity analyses performed as of September 26, 2015 due to the inherent limitations associated with predicting the timing and amount of changes in interest rates, foreign currency exchanges rates and the Company's actual exposures and positions.

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Item 8. Financial Statements and Supplementary Data

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All financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

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CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except number of shares which are reflected in thousands and per share amounts)

	Years ended		
	September 26, 2015	September 27, 2014	September 28, 2013
Net sales	\$ 233,715	\$ 182,795	\$ 170,910
Cost of sales	140,089	112,258	106,606
Gross margin	93,626	70,537	64,304
Operating expenses:			
Research and development	8,067	6,041	4,475
Selling, general and administrative	14,329	11,993	10,830
Total operating expenses	22,396	18,034	15,305
Operating income	71,230	52,503	48,999
Other income/(expense), net	1,285	980	1,156
Income before provision for income taxes	72,515	53,483	50,155
Provision for income taxes	19,121	13,973	13,118
Net income	\$ 53,394	\$ 39,510	\$ 37,037
Earnings per share:			
Basic	\$ 9.28	\$ 6.49	\$ 5.72
Diluted	\$ 9.22	\$ 6.45	\$ 5.68
Shares used in computing earnings per share:			
Basic	5,753,421	6,085,572	6,477,320
Diluted	5,793,069	6,122,663	6,521,634
Cash dividends declared per share	\$ 1.98	\$ 1.82	\$ 1.64

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

	Years ended		
	September 26, 2015	September 27, 2014	September 28, 2013
Net income	\$ 53,394	\$ 39,510	\$ 37,037
Other comprehensive income/(loss):			
Change in foreign currency translation, net of tax effects of \$201, \$50 and \$35, respectively	(411)	(137)	(112)
Change in unrealized gains/losses on derivative instruments:			
Change in fair value of derivatives, net of tax benefit/(expense) of \$(441), \$(297) and \$(351), respectively	2,905	1,390	522
Adjustment for net (gains)/losses realized and included in net income, net of tax expense/(benefit) of \$630, \$(36) and \$255, respectively	(3,497)	149	(458)
Total change in unrealized gains/losses on derivative instruments, net of tax	(592)	1,539	64
Change in unrealized gains/losses on marketable securities:			
Change in fair value of marketable securities, net of tax benefit/(expense) of \$264, \$(153) and \$458, respectively	(483)	285	(791)
Adjustment for net (gains)/losses realized and included in net income, net of tax expense/(benefit) of \$(32), \$71 and \$82, respectively	59	(134)	(131)
Total change in unrealized gains/losses on marketable securities, net of tax	(424)	151	(922)
Total other comprehensive income/(loss)	(1,427)	1,553	(970)
Total comprehensive income	\$ 51,967	\$ 41,063	\$ 36,067

See accompanying Notes to Consolidated Financial Statements.

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[Table of Contents](#)**CONSOLIDATED BALANCE SHEETS**

(In millions, except number of shares which are reflected in thousands and par value)

	<u>September 26, 2015</u>	<u>September 27, 2014</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 21,120	\$ 13,844
Short-term marketable securities	20,481	11,233
Accounts receivable, less allowances of \$82 and \$86, respectively	16,849	17,460
Inventories	2,349	2,111
Deferred tax assets	5,546	4,318
Vendor non-trade receivables	13,494	9,759
Other current assets	9,539	9,806
Total current assets	<u>89,378</u>	<u>68,531</u>
Long-term marketable securities	164,065	130,162
Property, plant and equipment, net	22,471	20,624
Goodwill	5,116	4,616
Acquired intangible assets, net	3,893	4,142
Other assets	5,556	3,764
Total assets	<u>\$ 290,479</u>	<u>\$ 231,839</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 35,490	\$ 30,196
Accrued expenses	25,181	18,453
Deferred revenue	8,940	8,491
Commercial paper	8,499	6,308
Current portion of long-term debt	2,500	0
Total current liabilities	<u>80,610</u>	<u>63,448</u>
Deferred revenue, non-current	3,624	3,031
Long-term debt	53,463	28,987
Other non-current liabilities	33,427	24,826
Total liabilities	<u>171,124</u>	<u>120,292</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, \$0.00001 par value: 12,600,000 shares authorized; 5,578,753 and 5,866,161 shares issued and outstanding, respectively	27,416	23,313
Retained earnings	92,284	87,152
Accumulated other comprehensive income	(345)	1,082
Total shareholders' equity	<u>119,355</u>	<u>111,547</u>
Total liabilities and shareholders' equity	<u>\$ 290,479</u>	<u>\$ 231,839</u>

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In millions, except number of shares which are reflected in thousands)

	Common Stock and Additional Paid-In Capital		Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
	Shares	Amount			
Balances as of September 29, 2012	<u>6,574,458</u>	<u>\$ 16,422</u>	<u>\$ 101,289</u>	<u>\$ 499</u>	<u>\$ 118,210</u>
Net income	0	0	37,037	0	37,037
Other comprehensive income/(loss)	0	0	0	(970)	(970)
Dividends and dividend equivalents declared	0	0	(10,676)	0	(10,676)
Repurchase of common stock	(328,837)	0	(22,950)	0	(22,950)
Share-based compensation	0	2,253	0	0	2,253
Common stock issued, net of shares withheld for employee taxes	48,873	(143)	(444)	0	(587)
Tax benefit from equity awards, including transfer pricing adjustments	0	1,232	0	0	1,232
Balances as of September 28, 2013	<u>6,294,494</u>	<u>19,764</u>	<u>104,256</u>	<u>(471)</u>	<u>123,549</u>
Net income	0	0	39,510	0	39,510
Other comprehensive income/(loss)	0	0	0	1,553	1,553
Dividends and dividend equivalents declared	0	0	(11,215)	0	(11,215)
Repurchase of common stock	(488,677)	0	(45,000)	0	(45,000)
Share-based compensation	0	2,863	0	0	2,863
Common stock issued, net of shares withheld for employee taxes	60,344	(49)	(399)	0	(448)
Tax benefit from equity awards, including transfer pricing adjustments	0	735	0	0	735
Balances as of September 27, 2014	<u>5,866,161</u>	<u>23,313</u>	<u>87,152</u>	<u>1,082</u>	<u>111,547</u>
Net income	0	0	53,394	0	53,394
Other comprehensive income/(loss)	0	0	0	(1,427)	(1,427)
Dividends and dividend equivalents declared	0	0	(11,627)	0	(11,627)
Repurchase of common stock	(325,032)	0	(36,026)	0	(36,026)
Share-based compensation	0	3,586	0	0	3,586
Common stock issued, net of shares withheld for employee taxes	37,624	(231)	(609)	0	(840)
Tax benefit from equity awards, including transfer pricing adjustments	0	748	0	0	748
Balances as of September 26, 2015	<u>5,578,753</u>	<u>\$ 27,416</u>	<u>\$ 92,284</u>	<u>\$ (345)</u>	<u>\$ 119,355</u>

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Years ended		
	September 26, 2015	September 27, 2014	September 28, 2013
Cash and cash equivalents, beginning of the year	\$ 13,844	\$ 14,259	\$ 10,746
Operating activities:			
Net income	53,394	39,510	37,037
Adjustments to reconcile net income to cash generated by operating activities:			
Depreciation and amortization	11,257	7,946	6,757
Share-based compensation expense	3,586	2,863	2,253
Deferred income tax expense	1,382	2,347	1,141
Changes in operating assets and liabilities:			
Accounts receivable, net	611	(4,232)	(2,172)
Inventories	(238)	(76)	(973)
Vendor non-trade receivables	(3,735)	(2,220)	223
Other current and non-current assets	(179)	167	1,080
Accounts payable	5,400	5,938	2,340
Deferred revenue	1,042	1,460	1,459
Other current and non-current liabilities	8,746	6,010	4,521
Cash generated by operating activities	<u>81,266</u>	<u>59,713</u>	<u>53,666</u>
Investing activities:			
Purchases of marketable securities	(166,402)	(217,128)	(148,489)
Proceeds from maturities of marketable securities	14,538	18,810	20,317
Proceeds from sales of marketable securities	107,447	189,301	104,130
Payments made in connection with business acquisitions, net	(343)	(3,765)	(496)
Payments for acquisition of property, plant and equipment	(11,247)	(9,571)	(8,165)
Payments for acquisition of intangible assets	(241)	(242)	(911)
Other	(26)	16	(160)
Cash used in investing activities	<u>(56,274)</u>	<u>(22,579)</u>	<u>(33,774)</u>
Financing activities:			
Proceeds from issuance of common stock	543	730	530
Excess tax benefits from equity awards	749	739	701
Taxes paid related to net share settlement of equity awards	(1,499)	(1,158)	(1,082)
Dividends and dividend equivalents paid	(11,561)	(11,126)	(10,564)
Repurchase of common stock	(35,253)	(45,000)	(22,860)
Proceeds from issuance of term debt, net	27,114	11,960	16,896
Change in commercial paper, net	2,191	6,306	0
Cash used in financing activities	<u>(17,716)</u>	<u>(37,549)</u>	<u>(16,379)</u>
Increase/(decrease) in cash and cash equivalents	<u>7,276</u>	<u>(415)</u>	<u>3,513</u>
Cash and cash equivalents, end of the year	<u>\$ 21,120</u>	<u>\$ 13,844</u>	<u>\$ 14,259</u>
Supplemental cash flow disclosure:			
Cash paid for income taxes, net	\$ 13,252	\$ 10,026	\$ 9,128
Cash paid for interest	\$ 514	\$ 339	\$ 0

See accompanying Notes to Consolidated Financial Statements.

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Notes to Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies

Apple Inc. and its wholly-owned subsidiaries (collectively “Apple” or the “Company”) designs, manufactures and markets mobile communication and media devices, personal computers and portable digital music players, and sells a variety of related software, services, accessories, networking solutions and third-party digital content and applications. The Company sells its products worldwide through its retail stores, online stores and direct sales force, as well as through third-party cellular network carriers, wholesalers, retailers and value-added resellers. In addition, the Company sells a variety of third-party Apple-compatible products, including application software and various accessories through its online and retail stores. The Company sells to consumers, small and mid-sized businesses and education, enterprise and government customers.

Basis of Presentation and Preparation

The accompanying consolidated financial statements include the accounts of the Company. Intercompany accounts and transactions have been eliminated. In the opinion of the Company’s management, the consolidated financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation. The preparation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates.

The Company’s fiscal year is the 52 or 53-week period that ends on the last Saturday of September. The Company’s fiscal years 2015, 2014 and 2013 ended on September 26, 2015, September 27, 2014 and September 28, 2013, respectively. An additional week is included in the first fiscal quarter approximately every six years to realign fiscal quarters with calendar quarters. Fiscal years 2015, 2014 and 2013 each spanned 52 weeks. Unless otherwise stated, references to particular years, quarters, months and periods refer to the Company’s fiscal years ended in September and the associated quarters, months and periods of those fiscal years.

Revenue Recognition

Net sales consist primarily of revenue from the sale of hardware, software, digital content and applications, accessories, and service and support contracts. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection is probable. Product is considered delivered to the customer once it has been shipped and title, risk of loss and rewards of ownership have been transferred. For most of the Company’s product sales, these criteria are met at the time the product is shipped. For online sales to individuals, for some sales to education customers in the U.S., and for certain other sales, the Company defers revenue until the customer receives the product because the Company retains a portion of the risk of loss on these sales during transit. For payment terms in excess of the Company’s standard payment terms, revenue is recognized as payments become due unless the Company has positive evidence that the sales price is fixed or determinable, such as a successful history of collection, without concession, on comparable arrangements. The Company recognizes revenue from the sale of hardware products, software bundled with hardware that is essential to the functionality of the hardware and third-party digital content sold on the iTunes Store in accordance with general revenue recognition accounting guidance. The Company recognizes revenue in accordance with industry specific software accounting guidance for the following types of sales transactions: (i) standalone sales of software products, (ii) sales of software upgrades and (iii) sales of software bundled with hardware not essential to the functionality of the hardware.

For the sale of most third-party products, the Company recognizes revenue based on the gross amount billed to customers because the Company establishes its own pricing for such products, retains related inventory risk for physical products, is the primary obligor to the customer and assumes the credit risk for amounts billed to its customers. For third-party applications sold through the App Store and Mac App Store and certain digital content sold through the iTunes Store, the Company does not determine the selling price of the products and is not the primary obligor to the customer. Therefore, the Company accounts for such sales on a net basis by recognizing in net sales only the commission it retains from each sale. The portion of the gross amount billed to customers that is remitted by the Company to third-party app developers and certain digital content owners is not reflected in the Company’s Consolidated Statements of Operations.

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The Company records deferred revenue when it receives payments in advance of the delivery of products or the performance of services. This includes amounts that have been deferred for unspecified and specified software upgrade rights and non-software services that are attached to hardware and software products. The Company sells gift cards redeemable at its retail and online stores, and also sells gift cards redeemable on iTunes Store, App Store, Mac App Store and iBooks Store for the purchase of digital content and software. The Company records deferred revenue upon the sale of the card, which is relieved upon redemption of the card by the customer. Revenue from AppleCare service and support contracts is deferred and recognized over the service coverage periods. AppleCare service and support contracts typically include extended phone support, repair services, web-based support resources and diagnostic tools offered under the Company's standard limited warranty.

The Company records reductions to revenue for estimated commitments related to price protection and other customer incentive programs. For transactions involving price protection, the Company recognizes revenue net of the estimated amount to be refunded. For the Company's other customer incentive programs, the estimated cost of these programs is recognized at the later of the date at which the Company has sold the product or the date at which the program is offered. The Company also records reductions to revenue for expected future product returns based on the Company's historical experience. Revenue is recorded net of taxes collected from customers that are remitted to governmental authorities, with the collected taxes recorded as current liabilities until remitted to the relevant government authority.

Revenue Recognition for Arrangements with Multiple Deliverables

For multi-element arrangements that include hardware products containing software essential to the hardware product's functionality, undelivered software elements that relate to the hardware product's essential software, and undelivered non-software services, the Company allocates revenue to all deliverables based on their relative selling prices. In such circumstances, the Company uses a hierarchy to determine the selling price to be used for allocating revenue to deliverables: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of selling price ("TPE") and (iii) best estimate of selling price ("ESP"). VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable. ESPs reflect the Company's best estimates of what the selling prices of elements would be if they were sold regularly on a stand-alone basis. For multi-element arrangements accounted for in accordance with industry specific software accounting guidance, the Company allocates revenue to all deliverables based on the VSOE of each element, and if VSOE does not exist revenue is recognized when elements lacking VSOE are delivered.

For sales of qualifying versions of iPhone, iPad and iPod touch ("iOS devices"), Mac, Apple Watch and Apple TV, the Company has indicated it may from time to time provide future unspecified software upgrades to the device's essential software and/or non-software services free of charge. The Company has identified up to three deliverables regularly included in arrangements involving the sale of these devices. The first deliverable, which represents the substantial portion of the allocated sales price, is the hardware and software essential to the functionality of the hardware device delivered at the time of sale. The second deliverable is the embedded right included with qualifying devices to receive on a when-and-if-available basis, future unspecified software upgrades relating to the product's essential software. The third deliverable is the non-software services to be provided to qualifying devices. The Company allocates revenue between these deliverables using the relative selling price method. Because the Company has neither VSOE nor TPE for these deliverables, the allocation of revenue is based on the Company's ESPs. Revenue allocated to the delivered hardware and the related essential software is recognized at the time of sale provided the other conditions for revenue recognition have been met. Revenue allocated to the embedded unspecified software upgrade rights and the non-software services is deferred and recognized on a straight-line basis over the estimated period the software upgrades and non-software services are expected to be provided. Cost of sales related to delivered hardware and related essential software, including estimated warranty costs, are recognized at the time of sale. Costs incurred to provide non-software services are recognized as cost of sales as incurred, and engineering and sales and marketing costs are recognized as operating expenses as incurred.

The Company's process for determining its ESP for deliverables without VSOE or TPE considers multiple factors that may vary depending upon the unique facts and circumstances related to each deliverable including, where applicable, prices charged by the Company and market trends in the pricing for similar offerings, product specific business objectives, length of time a particular version of a device has been available, estimated cost to provide the non-software services and the relative ESP of the upgrade rights and non-software services as compared to the total selling price of the product.

Beginning in September 2015, the Company reduced the combined ESPs for iOS devices and Mac between \$5 and \$10 to reflect the increase in competitive offers for similar products at little to no cost for users, which reduces the amount the Company could reasonably charge for these deliverables on a standalone basis.

Shipping Costs

Amounts billed to customers related to shipping and handling are classified as revenue, and the Company's shipping and handling costs are classified as cost of sales.

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Warranty Costs

The Company generally provides for the estimated cost of hardware and software warranties at the time the related revenue is recognized. The Company assesses the adequacy of its accrued warranty liabilities and adjusts the amounts as necessary based on actual experience and changes in future estimates.

Software Development Costs

Research and development ("R&D") costs are expensed as incurred. Development costs of computer software to be sold, leased, or otherwise marketed are subject to capitalization beginning when a product's technological feasibility has been established and ending when a product is available for general release to customers. In most instances, the Company's products are released soon after technological feasibility has been established and as a result software development costs were expensed as incurred.

Advertising Costs

Advertising costs are expensed as incurred and included in selling, general and administrative expenses. Advertising expense was \$1.8 billion, \$1.2 billion and \$1.1 billion for 2015, 2014 and 2013, respectively.

Share-based Compensation

The Company recognizes expense related to share-based payment transactions in which it receives employee services in exchange for (a) equity instruments of the Company or (b) liabilities that are based on the fair value of the Company's equity instruments or that may be settled by the issuance of such equity instruments. Share-based compensation cost for restricted stock and restricted stock units ("RSUs") is measured based on the closing fair market value of the Company's common stock on the date of grant. The Company recognizes share-based compensation cost over the award's requisite service period on a straight-line basis for time-based RSUs and on a graded basis for RSUs that are contingent on the achievement of performance conditions. The Company recognizes a benefit from share-based compensation in the Consolidated Statements of Shareholders' Equity if an excess tax benefit is realized. In addition, the Company recognizes the indirect effects of share-based compensation on R&D tax credits, foreign tax credits and domestic manufacturing deductions in the Consolidated Statements of Operations. Further information regarding share-based compensation can be found in Note 9, "Benefit Plans."

Income Taxes

The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets and liabilities are expected to be realized or settled. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. See Note 5, "Income Taxes" for additional information.

Earnings Per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding stock options, shares to be purchased under the Company's employee stock purchase plan, unvested restricted stock and unvested RSUs. The dilutive effect of potentially dilutive securities is reflected in diluted earnings per share by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of the Company's common stock can result in a greater dilutive effect from potentially dilutive securities.

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The following table shows the computation of basic and diluted earnings per share for 2015, 2014 and 2013 (net income in millions and shares in thousands):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Numerator:			
Net income	\$ 53,394	\$ 39,510	\$ 37,037
Denominator:			
Weighted-average shares outstanding	5,753,421	6,085,572	6,477,320
Effect of dilutive securities	39,648	37,091	44,314
Weighted-average diluted shares	<u>5,793,069</u>	<u>6,122,663</u>	<u>6,521,634</u>
Basic earnings per share	\$ 9.28	\$ 6.49	\$ 5.72
Diluted earnings per share	\$ 9.22	\$ 6.45	\$ 5.68

Potentially dilutive securities whose effect would have been antidilutive are excluded from the computation of diluted earnings per share.

Financial Instruments

Cash Equivalents and Marketable Securities

All highly liquid investments with maturities of three months or less at the date of purchase are classified as cash equivalents. The Company's marketable debt and equity securities have been classified and accounted for as available-for-sale. Management determines the appropriate classification of its investments at the time of purchase and reevaluates the classifications at each balance sheet date. The Company classifies its marketable debt securities as either short-term or long-term based on each instrument's underlying contractual maturity date. Marketable debt securities with maturities of 12 months or less are classified as short-term and marketable debt securities with maturities greater than 12 months are classified as long-term. Marketable equity securities, including mutual funds, are classified as either short-term or long-term based on the nature of each security and its availability for use in current operations. The Company's marketable debt and equity securities are carried at fair value, with unrealized gains and losses, net of taxes, reported as a component of accumulated other comprehensive income ("AOCI") in shareholders' equity, with the exception of unrealized losses believed to be other-than-temporary which are reported in earnings in the current period. The cost of securities sold is based upon the specific identification method.

Derivative Financial Instruments

The Company accounts for its derivative instruments as either assets or liabilities and carries them at fair value.

For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of AOCI in shareholders' equity and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognized in earnings in the current period. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions. For options designated as cash flow hedges, changes in the time value are excluded from the assessment of hedge effectiveness and are recognized in earnings.

For derivative instruments that hedge the exposure to changes in the fair value of an asset or a liability and that are designated as fair value hedges, both the net gain or loss on the derivative instrument as well as the offsetting gain or loss on the hedged item are recognized in earnings in the current period.

For derivative instruments and foreign currency debt that hedge the exposure to changes in foreign currency exchange rates used for translation of the net investment in a foreign operation and that are designated as a net investment hedge, the net gain or loss on the effective portion of the derivative instrument is reported in the same manner as a foreign currency translation adjustment. For forward exchange contracts designated as net investment hedges, the Company excludes changes in fair value relating to changes in the forward carry component from its definition of effectiveness. Accordingly, any gains or losses related to this forward carry component are recognized in earnings in the current period.

Derivatives that do not qualify as hedges are adjusted to fair value through earnings in the current period.

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Allowance for Doubtful Accounts

The Company records its allowance for doubtful accounts based upon its assessment of various factors, including historical experience, age of the accounts receivable balances, credit quality of the Company's customers, current economic conditions and other factors that may affect the customers' ability to pay.

Inventories

Inventories are stated at the lower of cost, computed using the first-in, first-out method and net realizable value. Any adjustments to reduce the cost of inventories to their net realizable value are recognized in earnings in the current period. As of September 26, 2015 and September 27, 2014, the Company's inventories consist primarily of finished goods.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets, which for buildings is the lesser of 30 years or the remaining life of the underlying building; between one to five years for machinery and equipment, including product tooling and manufacturing process equipment; and the shorter of lease terms or ten years for leasehold improvements. The Company capitalizes eligible costs to acquire or develop internal-use software that are incurred subsequent to the preliminary project stage. Capitalized costs related to internal-use software are amortized using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Depreciation and amortization expense on property and equipment was \$9.2 billion, \$6.9 billion and \$5.8 billion during 2015, 2014 and 2013, respectively.

Long-Lived Assets Including Goodwill and Other Acquired Intangible Assets

The Company reviews property, plant and equipment, inventory component prepayments and certain identifiable intangibles, excluding goodwill, for impairment. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows the assets are expected to generate. If property, plant and equipment, inventory component prepayments and certain identifiable intangibles are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the assets exceeds its fair value.

The Company does not amortize goodwill and intangible assets with indefinite useful lives, rather such assets are required to be tested for impairment at least annually or sooner whenever events or changes in circumstances indicate that the assets may be impaired. The Company performs its goodwill and intangible asset impairment tests in the fourth quarter of each year. The Company did not recognize any impairment charges related to goodwill or indefinite lived intangible assets during 2015, 2014 and 2013. The Company established reporting units based on its current reporting structure. For purposes of testing goodwill for impairment, goodwill has been allocated to these reporting units to the extent it relates to each reporting unit. In 2015 and 2014, the Company's goodwill was primarily allocated to the Americas and Europe reporting units.

The Company amortizes its intangible assets with definite useful lives over their estimated useful lives and reviews these assets for impairment. The Company typically amortizes its acquired intangible assets with definite useful lives over periods from three to seven years.

Fair Value Measurements

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

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The Company's valuation techniques used to measure the fair value of money market funds and certain marketable equity securities were derived from quoted prices in active markets for identical assets or liabilities. The valuation techniques used to measure the fair value of the Company's debt instruments and all other financial instruments, all of which have counterparties with high credit ratings, were valued based on quoted market prices or model driven valuations using significant inputs derived from or corroborated by observable market data.

In accordance with the fair value accounting requirements, companies may choose to measure eligible financial instruments and certain other items at fair value. The Company has not elected the fair value option for any eligible financial instruments.

Foreign Currency Translation and Remeasurement

The Company translates the assets and liabilities of its non-U.S. dollar functional currency subsidiaries into U.S. dollars using exchange rates in effect at the end of each period. Revenue and expenses for these subsidiaries are translated using rates that approximate those in effect during the period. Gains and losses from these translations are recognized in foreign currency translation included in AOCI in shareholders' equity. The Company's subsidiaries that use the U.S. dollar as their functional currency remeasure monetary assets and liabilities at exchange rates in effect at the end of each period, and inventories, property and nonmonetary assets and liabilities at historical rates.

Note 2 – Financial Instruments

Cash, Cash Equivalents and Marketable Securities

The following tables show the Company's cash and available-for-sale securities' adjusted cost, gross unrealized gains, gross unrealized losses and fair value by significant investment category recorded as cash and cash equivalents or short- or long-term marketable securities as of September 26, 2015 and September 27, 2014 (in millions):

	2015						
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities
Cash	\$ 11,389	\$ 0	\$ 0	\$ 11,389	\$ 11,389	\$ 0	\$ 0
Level 1:							
Money market funds	1,798	0	0	1,798	1,798	0	0
Mutual funds	1,772	0	(144)	1,628	0	1,628	0
Subtotal	3,570	0	(144)	3,426	1,798	1,628	0
Level 2:							
U.S. Treasury securities	34,902	181	(1)	35,082	0	3,498	31,584
U.S. agency securities	5,864	14	0	5,878	841	767	4,270
Non-U.S. government securities	6,356	45	(167)	6,234	43	135	6,056
Certificates of deposit and time deposits	4,347	0	0	4,347	2,065	1,405	877
Commercial paper	6,016	0	0	6,016	4,981	1,035	0
Corporate securities	116,908	242	(985)	116,165	3	11,948	104,214
Municipal securities	947	5	0	952	0	48	904
Mortgage- and asset-backed securities	16,121	87	(31)	16,177	0	17	16,160
Subtotal	191,461	574	(1,184)	190,851	7,933	18,853	164,065
Total	\$ 206,420	\$ 574	\$ (1,328)	\$ 205,666	\$ 21,120	\$ 20,481	\$ 164,065

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	2014						
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities
Cash	\$ 10,232	\$ 0	\$ 0	\$ 10,232	\$ 10,232	\$ 0	\$ 0
Level 1:							
Money market funds	1,546	0	0	1,546	1,546	0	0
Mutual funds	2,531	1	(132)	2,400	0	2,400	0
Subtotal	4,077	1	(132)	3,946	1,546	2,400	0
Level 2:							
U.S. Treasury securities	23,140	15	(9)	23,146	12	607	22,527
U.S. agency securities	7,373	3	(11)	7,365	652	157	6,556
Non-U.S. government securities	6,925	69	(69)	6,925	0	204	6,721
Certificates of deposit and time deposits	3,832	0	0	3,832	1,230	1,233	1,369
Commercial paper	475	0	0	475	166	309	0
Corporate securities	85,431	296	(241)	85,486	6	6,298	79,182
Municipal securities	940	8	0	948	0	0	948
Mortgage- and asset-backed securities	12,907	26	(49)	12,884	0	25	12,859
Subtotal	141,023	417	(379)	141,061	2,066	8,833	130,162
Total	\$ 155,332	\$ 418	\$ (511)	\$ 155,239	\$ 13,844	\$ 11,233	\$ 130,162

The Company may sell certain of its marketable securities prior to their stated maturities for strategic reasons including, but not limited to, anticipation of credit deterioration and duration management. The maturities of the Company's long-term marketable securities generally range from one to five years.

As of September 26, 2015, the Company considers the declines in market value of its marketable securities investment portfolio to be temporary in nature and does not consider any of its investments other-than-temporarily impaired. The Company typically invests in highly-rated securities, and its investment policy generally limits the amount of credit exposure to any one issuer. The policy generally requires investments to be investment grade, with the primary objective of minimizing the potential risk of principal loss. Fair values were determined for each individual security in the investment portfolio. When evaluating an investment for other-than-temporary impairment the Company reviews factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, changes in market interest rates and the Company's intent to sell, or whether it is more likely than not it will be required to sell the investment before recovery of the investment's cost basis.

Derivative Financial Instruments

The Company may use derivatives to partially offset its business exposure to foreign currency and interest rate risk on expected future cash flows, on net investments in certain foreign subsidiaries and on certain existing assets and liabilities. However, the Company may choose not to hedge certain exposures for a variety of reasons including, but not limited to, accounting considerations and the prohibitive economic cost of hedging particular exposures. There can be no assurance the hedges will offset more than a portion of the financial impact resulting from movements in foreign currency exchange or interest rates.

To help protect gross margins from fluctuations in foreign currency exchange rates, certain of the Company's subsidiaries whose functional currency is the U.S. dollar may hedge a portion of forecasted foreign currency revenue, and subsidiaries whose functional currency is not the U.S. dollar and who sell in local currencies may hedge a portion of forecasted inventory purchases not denominated in the subsidiaries' functional currencies. The Company may enter into forward contracts, option contracts or other instruments to manage this risk and may designate these instruments as cash flow hedges. The Company typically hedges portions of its forecasted foreign currency exposure associated with revenue and inventory purchases, typically for up to 12 months.

To help protect the net investment in a foreign operation from adverse changes in foreign currency exchange rates, the Company may enter into foreign currency forward and option contracts to offset the changes in the carrying amounts of these investments due to fluctuations in foreign currency exchange rates. In addition, the Company may use non-derivative financial instruments, such as its foreign currency-denominated debt, as economic hedges of its net investments in certain foreign subsidiaries. In both of these cases, the Company designates these instruments as net investment hedges.

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The Company may also enter into non-designated foreign currency contracts to partially offset the foreign currency exchange gains and losses generated by the re-measurement of certain assets and liabilities denominated in non-functional currencies.

The Company may enter into interest rate swaps, options, or other instruments to manage interest rate risk. These instruments may offset a portion of changes in income or expense, or changes in fair value of the Company's term debt or investments. The Company designates these instruments as either cash flow or fair value hedges. The Company's hedged interest rate transactions as of September 26, 2015 are expected to be recognized within 10 years.

Cash Flow Hedges

The effective portions of cash flow hedges are recorded in AOCI until the hedged item is recognized in earnings. Deferred gains and losses associated with cash flow hedges of foreign currency revenue are recognized as a component of net sales in the same period as the related revenue is recognized, and deferred gains and losses related to cash flow hedges of inventory purchases are recognized as a component of cost of sales in the same period as the related costs are recognized. Deferred gains and losses associated with cash flow hedges of interest income or expense are recognized in other income/(expense), net in the same period as the related income or expense is recognized. The ineffective portions and amounts excluded from the effectiveness testing of cash flow hedges are recognized in other income/(expense), net.

Derivative instruments designated as cash flow hedges must be de-designated as hedges when it is probable the forecasted hedged transaction will not occur in the initially identified time period or within a subsequent two-month time period. Deferred gains and losses in AOCI associated with such derivative instruments are reclassified immediately into other income/(expense), net. Any subsequent changes in fair value of such derivative instruments are reflected in other income/(expense), net unless they are re-designated as hedges of other transactions.

Net Investment Hedges

The effective portions of net investment hedges are recorded in other comprehensive income ("OCI") as a part of the cumulative translation adjustment. The ineffective portions and amounts excluded from the effectiveness testing of net investment hedges are recognized in other income/(expense), net.

Fair Value Hedges

Gains and losses related to changes in fair value hedges are recognized in earnings along with a corresponding loss or gain related to the change in value of the underlying hedged item.

Non-Designated Derivatives

Derivatives that are not designated as hedging instruments are adjusted to fair value through earnings in the financial statement line item to which the derivative relates.

The Company records all derivatives in the Consolidated Balance Sheets at fair value. The Company's accounting treatment for these derivative instruments is based on its hedge designation. The following tables show the Company's derivative instruments at gross fair value as of September 26, 2015 and September 27, 2014 (in millions):

	2015		
	Fair Value of Derivatives Designated as Hedge Instruments	Fair Value of Derivatives Not Designated as Hedge Instruments	Total Fair Value
Derivative assets (1):			
Foreign exchange contracts	\$ 1,442	\$ 109	\$ 1,551
Interest rate contracts	\$ 394	\$ 0	\$ 394
Derivative liabilities (2):			
Foreign exchange contracts	\$ 905	\$ 94	\$ 999
Interest rate contracts	\$ 13	\$ 0	\$ 13

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	2014		
	Fair Value of Derivatives Designated as Hedge Instruments	Fair Value of Derivatives Not Designated as Hedge Instruments	Total Fair Value
Derivative assets (1):			
Foreign exchange contracts	\$ 1,332	\$ 222	\$ 1,554
Interest rate contracts	\$ 81	\$ 0	\$ 81
Derivative liabilities (2):			
Foreign exchange contracts	\$ 41	\$ 40	\$ 81

(1) The fair value of derivative assets is measured using Level 2 fair value inputs and is recorded as other current assets in the Consolidated Balance Sheets.

(2) The fair value of derivative liabilities is measured using Level 2 fair value inputs and is recorded as accrued expenses in the Consolidated Balance Sheets.

The following table shows the pre-tax gains and losses of the Company's derivative and non-derivative instruments designated as cash flow, net investment and fair value hedges on OCI and the Consolidated Statements of Operations for 2015, 2014 and 2013 (in millions):

	2015	2014	2013
Gains/(Losses) recognized in OCI – effective portion:			
Cash flow hedges:			
Foreign exchange contracts	\$ 3,592	\$ 1,750	\$ 891
Interest rate contracts	(111)	(15)	12
Total	\$ 3,481	\$ 1,735	\$ 903
Net investment hedges:			
Foreign exchange contracts	\$ 167	\$ 53	\$ 143
Foreign currency debt	(71)	0	0
Total	\$ 96	\$ 53	\$ 143
Gains/(Losses) reclassified from AOCI into net income – effective portion:			
Cash flow hedges:			
Foreign exchange contracts	\$ 4,092	\$ (154)	\$ 676
Interest rate contracts	(17)	(16)	(6)
Total	\$ 4,075	\$ (170)	\$ 670
Gains/(Losses) on derivative instruments:			
Fair value hedges:			
Interest rate contracts	\$ 337	\$ 39	\$ 0
Gains/(Losses) related to hedged items:			
Fair value hedges:			
Interest rate contracts	\$ (337)	\$ (39)	\$ 0

The following table shows the notional amounts of the Company's outstanding derivative instruments and credit risk amounts associated with outstanding or unsettled derivative instruments as of September 26, 2015 and September 27, 2014 (in millions):

	2015		2014	
	Notional Amount	Credit Risk Amount	Notional Amount	Credit Risk Amount
Instruments designated as accounting hedges:				
Foreign exchange contracts	\$ 70,054	\$ 1,385	\$ 42,945	\$ 1,333
Interest rate contracts	\$ 18,750	\$ 394	\$ 12,000	\$ 89
Instruments not designated as accounting hedges:				
Foreign exchange contracts	\$ 49,190	\$ 109	\$ 38,510	\$ 222

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The notional amounts for outstanding derivative instruments provide one measure of the transaction volume outstanding and do not represent the amount of the Company's exposure to credit or market loss. The credit risk amounts represent the Company's gross exposure to potential accounting loss on derivative instruments that are outstanding or unsettled if all counterparties failed to perform according to the terms of the contract, based on then-current currency or interest rates at each respective date. The Company's exposure to credit loss and market risk will vary over time as currency and interest rates change. Although the table above reflects the notional and credit risk amounts of the Company's derivative instruments, it does not reflect the gains or losses associated with the exposures and transactions that the instruments are intended to hedge. The amounts ultimately realized upon settlement of these financial instruments, together with the gains and losses on the underlying exposures, will depend on actual market conditions during the remaining life of the instruments.

The Company generally enters into master netting arrangements, which are designed to reduce credit risk by permitting net settlement of transactions with the same counterparty. To further limit credit risk, the Company generally enters into collateral security arrangements that provide for collateral to be received or posted when the net fair value of certain financial instruments fluctuates from contractually established thresholds. The Company presents its derivative assets and derivative liabilities at their gross fair values in its Consolidated Balance Sheets. The net cash collateral received by the Company related to derivative instruments under its collateral security arrangements was \$1.0 billion as of September 26, 2015 and \$2.1 billion as of September 27, 2014.

Under master netting arrangements with the respective counterparties to the Company's derivative contracts, the Company is allowed to net settle transactions with a single net amount payable by one party to the other. As of September 26, 2015 and September 27, 2014, the potential effects of these rights of set-off associated with the Company's derivative contracts, including the effects of collateral, would be a reduction to both derivative assets and derivative liabilities of \$2.2 billion and \$1.6 billion, respectively, resulting in net derivative liabilities of \$78 million and \$549 million, respectively.

Accounts Receivable

Trade Receivables

The Company has considerable trade receivables outstanding with its third-party cellular network carriers, wholesalers, retailers, value-added resellers, small and mid-sized businesses and education, enterprise and government customers. The Company generally does not require collateral from its customers; however, the Company will require collateral in certain instances to limit credit risk. In addition, when possible, the Company attempts to limit credit risk on trade receivables with credit insurance for certain customers or by requiring third-party financing, loans or leases to support credit exposure. These credit-financing arrangements are directly between the third-party financing company and the end customer. As such, the Company generally does not assume any recourse or credit risk sharing related to any of these arrangements.

As of September 26, 2015, the Company had one customer that represented 10% or more of total trade receivables, which accounted for 12%. As of September 27, 2014, the Company had two customers that represented 10% or more of total trade receivables, one of which accounted for 16% and the other 13%. The Company's cellular network carriers accounted for 71% and 72% of trade receivables as of September 26, 2015 and September 27, 2014, respectively.

Vendor Non-Trade Receivables

The Company has non-trade receivables from certain of its manufacturing vendors resulting from the sale of components to these vendors who manufacture sub-assemblies or assemble final products for the Company. The Company purchases these components directly from suppliers. Vendor non-trade receivables from three of the Company's vendors accounted for 38%, 18% and 14% of total vendor non-trade receivables as of September 26, 2015 and three of the Company's vendors accounted for 51%, 16% and 14% of total vendor non-trade receivables as of September 27, 2014.

Note 3 – Consolidated Financial Statement Details

The following tables show the Company's consolidated financial statement details as of September 26, 2015 and September 27, 2014 (in millions):

Property, Plant and Equipment, Net

	2015	2014
Land and buildings	\$ 6,956	\$ 4,863
Machinery, equipment and internal-use software	37,038	29,639
Leasehold improvements	5,263	4,513
Gross property, plant and equipment	49,257	39,015
Accumulated depreciation and amortization	(26,786)	(18,391)
Total property, plant and equipment, net	<u>\$ 22,471</u>	<u>\$ 20,624</u>

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Other Non-Current Liabilities

	2015	2014
Deferred tax liabilities	\$ 24,062	\$ 20,259
Other non-current liabilities	9,365	4,567
Total other non-current liabilities	<u>\$ 33,427</u>	<u>\$ 24,826</u>

Other Income/(Expense), Net

The following table shows the detail of other income/(expense), net for 2015, 2014 and 2013 (in millions):

	2015	2014	2013
Interest and dividend income	\$ 2,921	\$ 1,795	\$ 1,616
Interest expense	(733)	(384)	(136)
Other expense, net	(903)	(431)	(324)
Total other income/(expense), net	<u>\$ 1,285</u>	<u>\$ 980</u>	<u>\$ 1,156</u>

Note 4 – Goodwill and Other Intangible Assets

On July 31, 2014, the Company completed the acquisitions of Beats Music, LLC, which offers a subscription streaming music service, and Beats Electronics, LLC, which makes Beats® headphones, speakers and audio software (collectively, “Beats”). The total purchase price consideration for these acquisitions was \$2.6 billion, which consisted primarily of cash, of which \$2.2 billion was allocated to goodwill, \$636 million to acquired intangible assets and \$258 million to net liabilities assumed. Concurrent with the close of the acquisitions, the Company repaid \$295 million of existing Beats outstanding debt to third-party creditors. In conjunction with the Beats acquisitions, the Company issued approximately 5.1 million shares of its common stock to certain former equity holders of Beats. The restricted stock was valued at approximately \$485 million based on the Company’s common stock on the acquisition date. The majority of these shares, valued at approximately \$417 million, will vest over time based on continued employment with Apple.

The Company also completed various other business acquisitions during 2014 for an aggregate cash consideration, net of cash acquired, of \$957 million, of which \$828 million was allocated to goodwill, \$257 million to acquired intangible assets and \$128 million to net liabilities assumed.

The Company’s acquired intangible assets with definite useful lives primarily consist of patents and licenses and are amortized over periods typically from three to seven years. The following table summarizes the components of gross and net intangible asset balances as of September 26, 2015 and September 27, 2014 (in millions):

	2015			2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived and amortizable acquired intangible assets	\$ 8,125	\$ (4,332)	\$ 3,793	\$ 7,127	\$ (3,085)	\$ 4,042
Indefinite-lived and non-amortizable acquired intangible assets	100	0	100	100	0	100
Total acquired intangible assets	<u>\$ 8,225</u>	<u>\$ (4,332)</u>	<u>\$ 3,893</u>	<u>\$ 7,227</u>	<u>\$ (3,085)</u>	<u>\$ 4,142</u>

Amortization expense related to acquired intangible assets was \$1.3 billion, \$1.1 billion and \$960 million in 2015, 2014 and 2013, respectively. As of September 26, 2015, the remaining weighted-average amortization period for acquired intangible assets is 3.6 years. The expected annual amortization expense related to acquired intangible assets as of September 26, 2015, is as follows (in millions):

2016	\$ 1,288
2017	1,033
2018	786
2019	342
2020	166
Thereafter	178
Total	<u>\$ 3,793</u>

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The provision for income taxes for 2015, 2014 and 2013, consisted of the following (in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Federal:			
Current	\$ 11,730	\$ 8,624	\$ 9,334
Deferred	3,408	3,183	1,878
	<u>15,138</u>	<u>11,807</u>	<u>11,212</u>
State:			
Current	1,265	855	1,084
Deferred	(220)	(178)	(311)
	<u>1,045</u>	<u>677</u>	<u>773</u>
Foreign:			
Current	4,744	2,147	1,559
Deferred	(1,806)	(658)	(426)
	<u>2,938</u>	<u>1,489</u>	<u>1,133</u>
Provision for income taxes	<u>\$ 19,121</u>	<u>\$ 13,973</u>	<u>\$ 13,118</u>

The foreign provision for income taxes is based on foreign pre-tax earnings of \$47.6 billion, \$33.6 billion and \$30.5 billion in 2015, 2014 and 2013, respectively. The Company's consolidated financial statements provide for any related tax liability on undistributed earnings that the Company does not intend to be indefinitely reinvested outside the U.S. Substantially all of the Company's undistributed international earnings intended to be indefinitely reinvested in operations outside the U.S. were generated by subsidiaries organized in Ireland, which has a statutory tax rate of 12.5%. As of September 26, 2015, U.S. income taxes have not been provided on a cumulative total of \$91.5 billion of such earnings. The amount of unrecognized deferred tax liability related to these temporary differences is estimated to be \$30.0 billion.

As of September 26, 2015 and September 27, 2014, \$186.9 billion and \$137.1 billion, respectively, of the Company's cash, cash equivalents and marketable securities were held by foreign subsidiaries and are generally based in U.S. dollar-denominated holdings. Amounts held by foreign subsidiaries are generally subject to U.S. income taxation on repatriation to the U.S.

A reconciliation of the provision for income taxes, with the amount computed by applying the statutory federal income tax rate (35% in 2015, 2014 and 2013) to income before provision for income taxes for 2015, 2014 and 2013, is as follows (dollars in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Computed expected tax	\$ 25,380	\$ 18,719	\$ 17,554
State taxes, net of federal effect	680	469	508
Indefinitely invested earnings of foreign subsidiaries	(6,470)	(4,744)	(4,614)
Domestic production activities deduction	(426)	(495)	(308)
Research and development credit, net	(171)	(88)	(287)
Other	128	112	265
Provision for income taxes	<u>\$ 19,121</u>	<u>\$ 13,973</u>	<u>\$ 13,118</u>
Effective tax rate	26.4%	26.1%	26.2%

The Company's income taxes payable have been reduced by the tax benefits from employee stock plan awards. For stock options, the Company receives an income tax benefit calculated as the tax effect of the difference between the fair market value of the stock issued at the time of the exercise and the exercise price. For RSUs, the Company receives an income tax benefit upon the award's vesting equal to the tax effect of the underlying stock's fair market value. The Company had net excess tax benefits from equity awards of \$748 million, \$706 million and \$643 million in 2015, 2014 and 2013, respectively, which were reflected as increases to common stock.

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As of September 26, 2015 and September 27, 2014, the significant components of the Company's deferred tax assets and liabilities were (in millions):

	<u>2015</u>	<u>2014</u>
Deferred tax assets:		
Accrued liabilities and other reserves	\$ 4,205	\$ 3,326
Basis of capital assets and investments	2,238	898
Deferred revenue	1,941	1,787
Deferred cost sharing	667	0
Share-based compensation	575	454
Unrealized losses	564	130
Other	721	227
Total deferred tax assets, net of valuation allowance of \$0	<u>10,911</u>	<u>6,822</u>
Deferred tax liabilities:		
Unremitted earnings of foreign subsidiaries	26,868	21,544
Other	303	398
Total deferred tax liabilities	<u>27,171</u>	<u>21,942</u>
Net deferred tax liabilities	<u>\$ (16,260)</u>	<u>\$ (15,120)</u>

Deferred tax assets and liabilities reflect the effects of tax losses, credits and the future income tax effects of temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and are measured using enacted tax rates that apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Uncertain Tax Positions

Tax positions are evaluated in a two-step process. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more-likely-than-not recognition threshold it is then measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company classifies gross interest and penalties and unrecognized tax benefits that are not expected to result in payment or receipt of cash within one year as non-current liabilities in the Consolidated Balance Sheets.

As of September 26, 2015, the total amount of gross unrecognized tax benefits was \$6.9 billion, of which \$2.5 billion, if recognized, would affect the Company's effective tax rate. As of September 27, 2014, the total amount of gross unrecognized tax benefits was \$4.0 billion, of which \$1.4 billion, if recognized, would affect the Company's effective tax rate.

The aggregate changes in the balance of gross unrecognized tax benefits, which excludes interest and penalties, for 2015, 2014 and 2013, is as follows (in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Beginning Balance	\$ 4,033	\$ 2,714	\$ 2,062
Increases related to tax positions taken during a prior year	2,056	1,295	745
Decreases related to tax positions taken during a prior year	(345)	(280)	(118)
Increases related to tax positions taken during the current year	1,278	882	626
Decreases related to settlements with taxing authorities	(109)	(574)	(592)
Decreases related to expiration of statute of limitations	(13)	(4)	(9)
Ending Balance	<u>\$ 6,900</u>	<u>\$ 4,033</u>	<u>\$ 2,714</u>

The Company includes interest and penalties related to unrecognized tax benefits within the provision for income taxes. As of September 26, 2015 and September 27, 2014, the total amount of gross interest and penalties accrued was \$1.3 billion and \$630 million, respectively, which is classified as non-current liabilities in the Consolidated Balance Sheets. In connection with tax matters, the Company recognized interest and penalty expense in 2015, 2014 and 2013 of \$709 million, \$40 million and \$189 million, respectively.

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The Company is subject to taxation and files income tax returns in the U.S. federal jurisdiction and in many state and foreign jurisdictions. The U.S. Internal Revenue Service (the "IRS") is currently examining the years 2010 through 2012, and all years prior to 2010 are closed. In addition, the Company is subject to audits by state, local and foreign tax authorities. In major states and major foreign jurisdictions, the years subsequent to 2003 generally remain open and could be subject to examination by the taxing authorities.

Management believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income taxes in the period such resolution occurs. Although timing of the resolution and/or closure of audits is not certain, the Company does not believe it is reasonably possible that its unrecognized tax benefits would materially change in the next 12 months.

On June 11, 2014, the European Commission issued an opening decision initiating a formal investigation against Ireland for alleged state aid to the Company. The opening decision concerns the allocation of profits for taxation purposes of the Irish branches of two subsidiaries of the Company. The Company believes the European Commission's assertions are without merit. If the European Commission were to conclude against Ireland, the European Commission could require Ireland to recover from the Company past taxes covering a period of up to 10 years reflective of the disallowed state aid. While such amount could be material, as of September 26, 2015 the Company is unable to estimate the impact.

Note 6 – Debt

Commercial Paper

In 2014, the Board of Directors authorized the Company to issue unsecured short-term promissory notes ("Commercial Paper") pursuant to a commercial paper program. The Company intends to use net proceeds from the commercial paper program for general corporate purposes, including dividends and share repurchases. As of September 26, 2015 and September 27, 2014, the Company had \$8.5 billion and \$6.3 billion of Commercial Paper outstanding, respectively, with a weighted-average interest rate of 0.14% and 0.12%, respectively, and maturities generally less than nine months.

The following table provides a summary of cash flows associated with the issuance and maturities of Commercial Paper for 2015 and 2014 (in millions):

	<u>2015</u>	<u>2014</u>
Maturities less than 90 days:		
Proceeds from (repayments of) commercial paper, net	\$ 5,293	\$ 1,865
Maturities greater than 90 days:		
Proceeds from commercial paper	3,851	4,771
Repayments of commercial paper	<u>(6,953)</u>	<u>(330)</u>
Maturities greater than 90 days, net	<u>(3,102)</u>	<u>4,441</u>
Total change in commercial paper, net	<u>\$ 2,191</u>	<u>\$ 6,306</u>

Long-Term Debt

As of September 26, 2015, the Company had outstanding floating- and fixed-rate notes with varying maturities for an aggregate principal amount of \$55.7 billion (collectively the "Notes"). The Notes are senior unsecured obligations, and interest is payable in arrears, quarterly for the U.S. dollar-denominated and Australian dollar-denominated floating-rate notes, semi-annually for the U.S. dollar-denominated, Australian dollar-denominated, British pound-denominated and Japanese yen-denominated fixed-rate notes and annually for the euro-denominated and Swiss franc-denominated fixed-rate notes.

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The following table provides a summary of the Company's term debt as of September 26, 2015 and September 27, 2014:

	Maturities	2015		2014	
		Amount		Amount	
		(in millions)	Effective Interest Rate	(in millions)	Effective Interest Rate
2013 debt issuance of \$17.0 billion:					
Floating-rate notes	2016 – 2018	\$ 3,000	0.51% – 1.10%	\$ 3,000	0.51% – 1.10%
Fixed-rate 0.45% – 3.85% notes	2016 – 2043	14,000	0.51% – 3.91%	14,000	0.51% – 3.91%
2014 debt issuance of \$12.0 billion:					
Floating-rate notes	2017 – 2019	2,000	0.37% – 0.60%	2,000	0.31% – 0.54%
Fixed-rate 1.05% – 4.45% notes	2017 – 2044	10,000	0.37% – 4.48%	10,000	0.30% – 4.48%
First quarter 2015 euro-denominated debt issuance of € 2.8 billion:					
Fixed-rate 1.000% notes	2022	1,558	2.94%	0	0
Fixed-rate 1.625% notes	2026	1,558	3.45%	0	0
Second quarter 2015 debt issuance of \$6.5 billion:					
Floating-rate notes	2020	500	0.56%	0	0
Fixed-rate 1.55% notes	2020	1,250	0.56%	0	0
Fixed-rate 2.15% notes	2022	1,250	0.87%	0	0
Fixed-rate 2.50% notes	2025	1,500	2.60%	0	0
Fixed-rate 3.45% notes	2045	2,000	3.58%	0	0
Second quarter 2015 Swiss franc-denominated debt issuance of SFr1.25 billion:					
Fixed-rate 0.375% notes	2024	895	0.28%	0	0
Fixed-rate 0.750% notes	2030	384	0.74%	0	0
Third quarter 2015 debt issuance of \$8.0 billion:					
Floating-rate notes	2017	250	0.36%	0	0
Floating-rate notes	2020	500	0.61%	0	0
Fixed-rate 0.900% notes	2017	750	0.35%	0	0
Fixed-rate 2.000% notes	2020	1,250	0.61%	0	0
Fixed-rate 2.700% notes	2022	1,250	0.99%	0	0
Fixed-rate 3.200% notes	2025	2,000	1.22%	0	0
Fixed-rate 4.375% notes	2045	2,000	4.40%	0	0
Third quarter 2015 Japanese yen-denominated debt issuance of ¥250.0 billion:					
Fixed-rate 0.35% notes	2020	2,081	0.35%	0	0
Fourth quarter 2015 British pound-denominated debt issuance of £1.25 billion:					
Fixed-rate 3.05% notes	2029	1,148	3.79%	0	0
Fixed-rate 3.60% notes	2042	766	4.51%	0	0
Fourth quarter 2015 Australian dollar-denominated debt issuance of A\$2.25 billion:					
Floating-rate notes	2019	493	1.87%	0	0
Fixed-rate 2.85% notes	2019	282	1.89%	0	0
Fixed-rate 3.70% notes	2022	810	2.79%	0	0
Fourth quarter 2015 euro-denominated debt issuance of € 2.0 billion:					
Fixed-rate 1.375% notes	2024	1,113	3.30%	0	0
Fixed-rate 2.000% notes	2027	1,113	3.85%	0	0
Total term debt		55,701		29,000	
Unamortized discount		(114)		(52)	
Hedge accounting fair value adjustments		376		39	
Less: Current portion of long-term debt		(2,500)		0	
Total long-term debt		<u>\$ 53,463</u>		<u>\$ 28,987</u>	

To manage foreign currency risk associated with the euro-denominated notes issued in the first quarter of 2015 and the British pound-denominated, Australian dollar-denominated and euro-denominated notes issued in the fourth quarter of 2015, the Company entered into currency swaps with an aggregate notional amount of \$3.5 billion, \$1.9 billion, \$1.6 billion and \$2.2 billion, respectively, which effectively converted these notes to U.S. dollar-denominated notes.

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To manage interest rate risk on the U.S. dollar-denominated fixed-rate notes issued in the second quarter of 2015 and maturing in 2020 and 2022, the Company entered into interest rate swaps with an aggregate notional amount of \$2.5 billion. To manage interest rate risk on the U.S. dollar-denominated fixed-rate notes issued in the third quarter of 2015 and maturing in 2017, 2020, 2022 and 2025, the Company entered into interest rate swaps with an aggregate notional amount of \$4.3 billion. These interest rate swaps effectively converted the fixed interest rates on the U.S. dollar-denominated notes to a floating interest rate.

As of September 26, 2015, ¥250.0 billion of the Japanese yen-denominated notes was designated as a hedge of the foreign currency exposure of its net investment in a foreign operation. The foreign currency transaction gain or loss on the Japanese yen-denominated debt designated as a hedge is recorded in OCI as a part of the cumulative translation adjustment. As of September 26, 2015, the carrying value of the debt designated as a net investment hedge was \$2.1 billion.

For further discussion regarding the Company's use of derivative instruments see the Derivative Financial Instruments section of Note 2, "Financial Instruments."

The effective interest rates for the Notes include the interest on the Notes, amortization of the discount and, if applicable, adjustments related to hedging. The Company recognized \$722 million, \$381 million and \$136 million of interest expense on its term debt for 2015, 2014 and 2013, respectively.

The future principal payments for the Company's Notes as of September 26, 2015 are as follows (in millions):

2016	\$ 2,500
2017	3,500
2018	6,000
2019	3,775
2020	5,581
Thereafter	34,345
Total term debt	<u>\$ 55,701</u>

As of September 26, 2015 and September 27, 2014, the fair value of the Company's Notes, based on Level 2 inputs, was \$54.9 billion and \$28.5 billion, respectively.

Note 7 – Shareholders' Equity

Dividends

The Company declared and paid cash dividends per share during the periods presented as follows:

	<u>Dividends Per Share</u>	<u>Amount (in millions)</u>
2015:		
Fourth quarter	\$ 0.52	\$ 2,950
Third quarter	0.52	2,997
Second quarter	0.47	2,734
First quarter	0.47	2,750
Total cash dividends declared and paid	<u>\$ 1.98</u>	<u>\$ 11,431</u>
2014:		
Fourth quarter	\$ 0.47	\$ 2,807
Third quarter	0.47	2,830
Second quarter	0.44	2,655
First quarter	0.44	2,739
Total cash dividends declared and paid	<u>\$ 1.82</u>	<u>\$ 11,031</u>

Future dividends are subject to declaration by the Board of Directors.

[Table of Contents](#)**Share Repurchase Program**

In the third quarter of 2015, the Company's Board of Directors increased the share repurchase authorization to \$140 billion of the Company's common stock, of which \$104 billion had been utilized as of September 26, 2015. The Company's share repurchase program does not obligate it to acquire any specific number of shares. Under the program, shares may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Company has entered, and in the future may enter, into accelerated share repurchase arrangements ("ASRs") with financial institutions. In exchange for up-front payments, the financial institutions deliver shares of the Company's common stock during the purchase periods of each ASR. The total number of shares ultimately delivered, and therefore the average repurchase price paid per share, is determined at the end of the applicable purchase period of each ASR based on the volume weighted-average price of the Company's common stock during that period. The shares received are retired in the periods they are delivered, and the up-front payments are accounted for as a reduction to shareholders' equity in the Company's Consolidated Balance Sheets in the periods the payments are made. The Company reflects the ASRs as a repurchase of common stock in the period delivered for purposes of calculating earnings per share and as forward contracts indexed to its own common stock. The ASRs met all of the applicable criteria for equity classification, and therefore were not accounted for as derivative instruments.

The following table shows the Company's ASR activity and related information during the years ended September 26, 2015 and September 27, 2014:

	Purchase Period End Date	Number of Shares (in thousands)	Average Repurchase Price Per Share	ASR Amount (in millions)
May 2015 ASR	July 2015	48,293 (1)	\$ 124.24	\$ 6,000
August 2014 ASR	February 2015	81,525 (2)	\$ 110.40	\$ 9,000
January 2014 ASR	December 2014	134,247	\$ 89.39	\$ 12,000
April 2013 ASR	March 2014	172,548	\$ 69.55	\$ 12,000

- (1) Includes 38.3 million shares delivered and retired at the beginning of the purchase period, which began in the third quarter of 2015 and 10.0 million shares delivered and retired at the end of the purchase period, which concluded in the fourth quarter of 2015.
- (2) Includes 59.9 million shares delivered and retired at the beginning of the purchase period, which began in the fourth quarter of 2014, 8.3 million net shares delivered and retired in the first quarter of 2015 and 13.3 million shares delivered and retired at the end of the purchase period, which concluded in the second quarter of 2015.

Additionally, the Company repurchased shares of its common stock in the open market, which were retired upon repurchase, during the periods presented as follows:

	Number of Shares (in thousands)	Average Repurchase Price Per Share	Amount (in millions)
2015:			
Fourth quarter	121,802	\$ 115.15	\$ 14,026
Third quarter	31,231	\$ 128.08	4,000
Second quarter	56,400	\$ 124.11	7,000
First quarter	45,704	\$ 109.40	5,000
Total open market common stock repurchases	<u>255,137</u>		<u>\$ 30,026</u>
2014:			
Fourth quarter	81,255	\$ 98.46	\$ 8,000
Third quarter	58,661	\$ 85.23	5,000
Second quarter	79,749	\$ 75.24	6,000
First quarter	66,847	\$ 74.79	5,000
Total open market common stock repurchases	<u>286,512</u>		<u>\$ 24,000</u>

Note 8 – Comprehensive Income

Comprehensive income consists of two components, net income and OCI. OCI refers to revenue, expenses, and gains and losses that under GAAP are recorded as an element of shareholders' equity but are excluded from net income. The Company's OCI consists of foreign currency translation adjustments from those subsidiaries not using the U.S. dollar as their functional currency, net deferred gains and losses on certain derivative instruments accounted for as cash flow hedges and unrealized gains and losses on marketable securities classified as available-for-sale.

The following table shows the pre-tax amounts reclassified from AOCI into the Consolidated Statements of Operations, and the associated financial statement line item, for 2015 and 2014 (in millions):

Comprehensive Income Components	Financial Statement Line Item	2015	2014
Unrealized (gains)/losses on derivative instruments:			
Foreign exchange contracts	Revenue	\$ (2,432)	\$ 449
	Cost of sales	(2,168)	(295)
	Other income/(expense), net	456	15
Interest rate contracts	Other income/(expense), net	17	16
		(4,127)	185
Unrealized (gains)/losses on marketable securities	Other income/(expense), net	91	(205)
Total amounts reclassified from AOCI		\$ (4,036)	\$ (20)

The following table shows the changes in AOCI by component for 2015 (in millions):

	Cumulative Foreign Currency Translation	Unrealized Gains/Losses on Derivative Instruments	Unrealized Gains/Losses on Marketable Securities	Total
Balance at September 28, 2013	\$ (105)	\$ (175)	\$ (191)	\$ (471)
Other comprehensive income/(loss) before reclassifications	(187)	1,687	438	1,938
Amounts reclassified from AOCI	0	185	(205)	(20)
Tax effect	50	(333)	(82)	(365)
Other comprehensive income/(loss)	(137)	1,539	151	1,553
Balance at September 27, 2014	(242)	1,364	(40)	1,082
Other comprehensive income/(loss) before reclassifications	(612)	3,346	(747)	1,987
Amounts reclassified from AOCI	0	(4,127)	91	(4,036)
Tax effect	201	189	232	622
Other comprehensive income/(loss)	(411)	(592)	(424)	(1,427)
Balance at September 26, 2015	\$ (653)	\$ 772	\$ (464)	\$ (345)

Note 9 – Benefit Plans

2014 Employee Stock Plan

In the second quarter of 2014, shareholders approved the 2014 Employee Stock Plan (the “2014 Plan”) and terminated the Company’s authority to grant new awards under the 2003 Employee Stock Plan (the “2003 Plan”). The 2014 Plan provides for broad-based equity grants to employees, including executive officers, and permits the granting of RSUs, stock grants, performance-based awards, stock options and stock appreciation rights, as well as cash bonus awards. RSUs granted under the 2014 Plan generally vest over four years, based on continued employment, and are settled upon vesting in shares of the Company’s common stock on a one-for-one basis. Each share issued with respect to RSUs granted under the 2014 Plan reduces the number of shares available for grant under the plan by two shares. RSUs cancelled and shares withheld to satisfy tax withholding obligations increase the number of shares available for grant under the 2014 Plan utilizing a factor of two times the number of RSUs cancelled or shares withheld. Currently, all RSUs granted under the 2014 Plan have dividend equivalent rights (“DERs”), which entitle holders of RSUs to the same dividend value per share as holders of common stock. DERs are subject to the same vesting and other terms and conditions as the corresponding unvested RSUs. DERs are accumulated and paid when the underlying shares vest. Upon approval of the 2014 Plan, the Company reserved 385 million shares plus the number of shares remaining that were reserved but not issued under the 2003 Plan. Shares subject to outstanding awards under the 2003 Plan that expire, are cancelled or otherwise terminate, or are withheld to satisfy tax withholding obligations with respect to RSUs, will also be available for awards under the 2014 Plan. As of September 26, 2015, approximately 442.9 million shares were reserved for future issuance under the 2014 Plan.

2003 Employee Stock Plan

The 2003 Plan is a shareholder approved plan that provided for broad-based equity grants to employees, including executive officers. The 2003 Plan permitted the granting of incentive stock options, nonstatutory stock options, RSUs, stock appreciation rights, stock purchase rights and performance-based awards. Options granted under the 2003 Plan generally expire seven to ten years after the grant date and generally become exercisable over a period of four years, based on continued employment, with either annual, semi-annual or quarterly vesting. RSUs granted under the 2003 Plan generally vest over two to four years, based on continued employment and are settled upon vesting in shares of the Company’s common stock on a one-for-one basis. All RSUs, other than RSUs held by the Chief Executive Officer, granted under the 2003 Plan have DERs. DERs are subject to the same vesting and other terms and conditions as the corresponding unvested RSUs. DERs are accumulated and paid when the underlying shares vest. In the second quarter of 2014, the Company terminated the authority to grant new awards under the 2003 Plan.

1997 Director Stock Plan

The 1997 Director Stock Plan (the “Director Plan”) is a shareholder approved plan that (i) permits the Company to grant awards of RSUs or stock options to the Company’s non-employee directors, (ii) provides for automatic initial grants of RSUs upon a non-employee director joining the Board of Directors and automatic annual grants of RSUs at each annual meeting of shareholders, and (iii) permits the Board of Directors to prospectively change the relative mixture of stock options and RSUs for the initial and annual award grants and the methodology for determining the number of shares of the Company’s common stock subject to these grants without shareholder approval. Each share issued with respect to RSUs granted under the Director Plan reduces the number of shares available for grant under the plan by two shares. The Director Plan expires November 9, 2019. All RSUs granted under the Director Plan are entitled to DERs. DERs are subject to the same vesting and other terms and conditions as the corresponding unvested RSUs. DERs are accumulated and paid when the underlying shares vest. As of September 26, 2015, approximately 1.2 million shares were reserved for future issuance under the Director Plan.

Rule 10b5-1 Trading Plans

During the fourth quarter of 2015, Section 16 officers Timothy D. Cook, Angela Ahrendts, Luca Maestri, Daniel Riccio, Philip Schiller and Jeffrey Williams had equity trading plans in place in accordance with Rule 10b5-1(c)(1) under the Exchange Act. An equity trading plan is a written document that pre-establishes the amounts, prices and dates (or formula for determining the amounts, prices and dates) of future purchases or sales of the Company’s stock, including shares acquired pursuant to the Company’s employee and director equity plans.

Employee Stock Purchase Plan

The Employee Stock Purchase Plan (the “Purchase Plan”) is a shareholder approved plan under which substantially all employees may purchase the Company’s common stock through payroll deductions at a price equal to 85% of the lower of the fair market values of the stock as of the beginning or the end of six-month offering periods. An employee’s payroll deductions under the Purchase Plan are limited to 10% of the employee’s compensation and employees may not purchase more than \$25,000 of stock during any calendar year. As of September 26, 2015, approximately 53.0 million shares were reserved for future issuance under the Purchase Plan.

[Table of Contents](#)**401(k) Plan**

The Company's 401(k) Plan is a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the 401(k) Plan, participating U.S. employees may defer a portion of their pre-tax earnings, up to the IRS annual contribution limit (\$18,000 for calendar year 2015). The Company matches 50% to 100% of each employee's contributions, depending on length of service, up to a maximum 6% of the employee's eligible earnings. The Company's matching contributions to the 401(k) Plan were \$200 million, \$163 million and \$135 million in 2015, 2014 and 2013, respectively.

Restricted Stock Units

A summary of the Company's RSU activity and related information for 2015, 2014 and 2013, is as follows:

	<u>Number of RSUs (in thousands)</u>	<u>Weighted-Average Grant Date Fair Value Per Share</u>	<u>Aggregate Intrinsic Value (in millions)</u>
Balance at September 29, 2012	105,037	\$ 49.27	
RSUs granted	39,415	\$ 78.23	
RSUs vested	(42,291)	\$ 45.96	
RSUs cancelled	(8,877)	\$ 57.31	
Balance at September 28, 2013	93,284	\$ 62.24	
RSUs granted	59,269	\$ 74.54	
RSUs vested	(43,111)	\$ 57.29	
RSUs cancelled	(5,620)	\$ 68.47	
Balance at September 27, 2014	103,822	\$ 70.98	
RSUs granted	45,587	\$ 105.51	
RSUs vested	(41,684)	\$ 71.32	
RSUs cancelled	(6,258)	\$ 80.34	
Balance at September 26, 2015	<u>101,467</u>	\$ 85.77	\$ 11,639

The fair value as of the respective vesting dates of RSUs was \$4.8 billion, \$3.4 billion and \$3.1 billion for 2015, 2014 and 2013, respectively. The majority of RSUs that vested in 2015, 2014 and 2013 were net-share settled such that the Company withheld shares with value equivalent to the employees' minimum statutory obligation for the applicable income and other employment taxes, and remitted the cash to the appropriate taxing authorities. The total shares withheld were approximately 14.1 million, 15.6 million and 15.5 million for 2015, 2014 and 2013, respectively, and were based on the value of the RSUs on their respective vesting dates as determined by the Company's closing stock price. Total payments for the employees' tax obligations to taxing authorities were \$1.6 billion, \$1.2 billion and \$1.1 billion in 2015, 2014 and 2013, respectively, and are reflected as a financing activity within the Consolidated Statements of Cash Flows. These net-share settlements had the effect of share repurchases by the Company as they reduced the number of shares that would have otherwise been issued as a result of the vesting and did not represent an expense to the Company.

Stock Options

The Company had 1.2 million stock options outstanding as of September 26, 2015, with a weighted-average exercise price per share of \$15.08 and weighted-average remaining contractual term of 4.1 years, substantially all of which are exercisable. The aggregate intrinsic value of the stock options outstanding as of September 26, 2015 was \$120 million, which represents the value of the Company's closing stock price on the last trading day of the period in excess of the weighted-average exercise price multiplied by the number of options outstanding. Total intrinsic value of options at time of exercise was \$479 million, \$1.5 billion and \$1.0 billion for 2015, 2014 and 2013, respectively.

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Share-based Compensation

The following table shows a summary of the share-based compensation expense included in the Consolidated Statements of Operations for 2015, 2014 and 2013 (in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cost of sales	\$ 575	\$ 450	\$ 350
Research and development	1,536	1,216	917
Selling, general and administrative	1,475	1,197	986
Total share-based compensation expense	<u>\$ 3,586</u>	<u>\$ 2,863</u>	<u>\$ 2,253</u>

The income tax benefit related to share-based compensation expense was \$1.2 billion, \$1.0 billion and \$816 million for 2015, 2014 and 2013, respectively. As of September 26, 2015, the total unrecognized compensation cost related to outstanding stock options, RSUs and restricted stock was \$6.8 billion, which the Company expects to recognize over a weighted-average period of 2.7 years.

Note 10 – Commitments and Contingencies

Accrued Warranty and Indemnification

The following table shows changes in the Company's accrued warranties and related costs for 2015, 2014 and 2013 (in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Beginning accrued warranty and related costs	\$ 4,159	\$ 2,967	\$ 1,638
Cost of warranty claims	(4,401)	(3,760)	(3,703)
Accruals for product warranty	5,022	4,952	5,032
Ending accrued warranty and related costs	<u>\$ 4,780</u>	<u>\$ 4,159</u>	<u>\$ 2,967</u>

The Company generally does not indemnify end-users of its operating system and application software against legal claims that the software infringes third-party intellectual property rights. Other agreements entered into by the Company sometimes include indemnification provisions under which the Company could be subject to costs and/or damages in the event of an infringement claim against the Company or an indemnified third-party. In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss with respect to indemnification of end-users of its operating system or application software for infringement of third-party intellectual property rights. The Company did not record a liability for infringement costs related to indemnification as of September 26, 2015 or September 27, 2014.

In September 2015, the Company introduced the iPhone Upgrade Program, which is available to customers who purchase an iPhone 6s and 6s Plus in one of its U.S. physical retail stores and activate the purchased iPhone with one of the four national carriers. The iPhone Upgrade Program provides customers the right to trade in that iPhone for a new iPhone, provided certain conditions are met. One of the conditions of this program requires the customer to finance the initial purchase price of the iPhone with a third-party lender. Upon exercise of the trade-in right and purchase of a new iPhone, the Company satisfies the customer's outstanding balance due to the third-party lender on the original device. The Company accounts for the trade-in right as a guarantee liability and recognizes arrangement revenue net of the fair value of such right with subsequent changes to the guarantee liability recognized within revenue.

The Company has entered into indemnification agreements with its directors and executive officers. Under these agreements, the Company has agreed to indemnify such individuals to the fullest extent permitted by law against liabilities that arise by reason of their status as directors or officers and to advance expenses incurred by such individuals in connection with related legal proceedings. It is not possible to determine the maximum potential amount of payments the Company could be required to make under these agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each claim. However, the Company maintains directors and officers liability insurance coverage to reduce its exposure to such obligations.

Concentrations in the Available Sources of Supply of Materials and Product

Although most components essential to the Company's business are generally available from multiple sources, a number of components are currently obtained from single or limited sources. In addition, the Company competes for various components with other participants in the markets for mobile communication and media devices and personal computers. Therefore, many components used by the Company, including those that are available from multiple sources, are at times subject to industry-wide shortage and significant pricing fluctuations that could materially adversely affect the Company's financial condition and operating results.

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The Company uses some custom components that are not commonly used by its competitors, and new products introduced by the Company often utilize custom components available from only one source. When a component or product uses new technologies, initial capacity constraints may exist until the suppliers' yields have matured or manufacturing capacity has increased. If the Company's supply of components for a new or existing product were delayed or constrained, or if an outsourcing partner delayed shipments of completed products to the Company, the Company's financial condition and operating results could be materially adversely affected. The Company's business and financial performance could also be materially adversely affected depending on the time required to obtain sufficient quantities from the original source, or to identify and obtain sufficient quantities from an alternative source. Continued availability of these components at acceptable prices, or at all, may be affected if those suppliers concentrated on the production of common components instead of components customized to meet the Company's requirements.

The Company has entered into agreements for the supply of many components; however, there can be no guarantee that the Company will be able to extend or renew these agreements on similar terms, or at all. Therefore, the Company remains subject to significant risks of supply shortages and price increases that could materially adversely affect its financial condition and operating results.

Substantially all of the Company's hardware products are manufactured by outsourcing partners that are located primarily in Asia. A significant concentration of this manufacturing is currently performed by a small number of outsourcing partners, often in single locations. Certain of these outsourcing partners are the sole-sourced suppliers of components and manufacturers for many of the Company's products. Although the Company works closely with its outsourcing partners on manufacturing schedules, the Company's operating results could be adversely affected if its outsourcing partners were unable to meet their production commitments. The Company's purchase commitments typically cover its requirements for periods up to 150 days.

Other Off-Balance Sheet Commitments

Operating Leases

The Company leases various equipment and facilities, including retail space, under noncancelable operating lease arrangements. The Company does not currently utilize any other off-balance sheet financing arrangements. The major facility leases are typically for terms not exceeding 10 years and generally contain multi-year renewal options. As of September 26, 2015, the Company had a total of 463 retail stores. Leases for retail space are for terms ranging from five to 20 years, the majority of which are for 10 years, and often contain multi-year renewal options. As of September 26, 2015, the Company's total future minimum lease payments under noncancelable operating leases were \$6.3 billion, of which \$3.6 billion related to leases for retail space.

Rent expense under all operating leases, including both cancelable and noncancelable leases, was \$794 million, \$717 million and \$645 million in 2015, 2014 and 2013, respectively. Future minimum lease payments under noncancelable operating leases having remaining terms in excess of one year as of September 26, 2015, are as follows (in millions):

2016	\$ 772
2017	774
2018	744
2019	715
2020	674
Thereafter	2,592
Total	<u>\$ 6,271</u>

Other Commitments

The Company utilizes several outsourcing partners to manufacture sub-assemblies for the Company's products and to perform final assembly and testing of finished products. These outsourcing partners acquire components and build product based on demand information supplied by the Company, which typically covers periods up to 150 days. The Company also obtains individual components for its products from a wide variety of individual suppliers. Consistent with industry practice, the Company acquires components through a combination of purchase orders, supplier contracts and open orders based on projected demand information. Where appropriate, the purchases are applied to inventory component prepayments that are outstanding with the respective supplier. As of September 26, 2015, the Company had outstanding off-balance sheet third-party manufacturing commitments and component purchase commitments of \$29.5 billion.

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In addition to the commitments mentioned above, the Company had other off-balance sheet obligations of \$7.3 billion as of September 26, 2015 that consisted of commitments to acquire capital assets, including product tooling and manufacturing process equipment, and commitments related to inventory prepayments, advertising, licensing, R&D, internet and telecommunications services, energy and other obligations.

Contingencies

The Company is subject to various legal proceedings and claims that have arisen in the ordinary course of business and that have not been fully adjudicated, certain of which are discussed in Part I, Item 1A of this Form 10-K under the heading "Risk Factors" and in Part I, Item 3 of this Form 10-K under the heading "Legal Proceedings." In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss, or a material loss in excess of a recorded accrual, with respect to loss contingencies for asserted legal and other claims. However, the outcome of litigation is inherently uncertain. Therefore, although management considers the likelihood of such an outcome to be remote, if one or more of these legal matters were resolved against the Company in a reporting period for amounts in excess of management's expectations, the Company's consolidated financial statements for that reporting period could be materially adversely affected.

Apple Inc. v. Samsung Electronics Co., Ltd, et al.

On August 24, 2012, a jury returned a verdict awarding the Company \$1.05 billion in its lawsuit against Samsung Electronics Co., Ltd and affiliated parties in the United States District Court, Northern District of California, San Jose Division. On March 6, 2014, the District Court entered final judgment in favor of the Company in the amount of approximately \$930 million. On May 18, 2015, the U.S. Court of Appeals for the Federal Circuit affirmed in part, and reversed in part, the decision of the District Court. As a result, the Court of Appeals ordered entry of final judgment on damages in the amount of approximately \$548 million, with the District Court to determine supplemental damages and interest, as well as damages owed for products subject to the reversal in part. Because the ruling remains subject to further proceedings, the Company has not recognized the award in its results of operations.

Note 11 – Segment Information and Geographic Data

The Company reports segment information based on the "management" approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company's reportable operating segments.

The Company manages its business primarily on a geographic basis. The Company's reportable operating segments consist of the Americas, Europe, Greater China, Japan and Rest of Asia Pacific. The Americas segment includes both North and South America. The Europe segment includes European countries, as well as India, the Middle East and Africa. The Greater China segment includes China, Hong Kong and Taiwan. The Rest of Asia Pacific segment includes Australia and those Asian countries not included in the Company's other reportable operating segments. Although each reportable operating segment provides similar hardware and software products and similar services, they are managed separately to better align with the location of the Company's customers and distribution partners and the unique market dynamics of each geographic region. The accounting policies of the various segments are the same as those described in Note 1, "Summary of Significant Accounting Policies."

The Company evaluates the performance of its reportable operating segments based on net sales and operating income. Net sales for geographic segments are generally based on the location of customers and sales through the Company's retail stores located in those geographic locations. Operating income for each segment includes net sales to third parties, related cost of sales and operating expenses directly attributable to the segment. Advertising expenses are generally included in the geographic segment in which the expenditures are incurred. Operating income for each segment excludes other income and expense and certain expenses managed outside the reportable operating segments. Costs excluded from segment operating income include various corporate expenses such as R&D, corporate marketing expenses, certain share-based compensation expenses, income taxes, various nonrecurring charges and other separately managed general and administrative costs. The Company does not include intercompany transfers between segments for management reporting purposes.

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The following table shows information by reportable operating segment for 2015, 2014 and 2013 (in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Americas:			
Net sales	\$ 93,864	\$ 80,095	\$ 77,093
Operating income	\$ 31,186	\$ 26,158	\$ 24,829
Europe:			
Net sales	\$ 50,337	\$ 44,285	\$ 40,980
Operating income	\$ 16,527	\$ 14,434	\$ 12,767
Greater China:			
Net sales	\$ 58,715	\$ 31,853	\$ 27,016
Operating income	\$ 23,002	\$ 11,039	\$ 8,499
Japan:			
Net sales	\$ 15,706	\$ 15,314	\$ 13,782
Operating income	\$ 7,617	\$ 6,904	\$ 6,668
Rest of Asia Pacific:			
Net sales	\$ 15,093	\$ 11,248	\$ 12,039
Operating income	\$ 5,518	\$ 3,674	\$ 3,762

A reconciliation of the Company's segment operating income to the Consolidated Statements of Operations for 2015, 2014 and 2013 is as follows (in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Segment operating income	\$ 83,850	\$ 62,209	\$ 56,525
Research and development expense	(8,067)	(6,041)	(4,475)
Other corporate expenses, net	(4,553)	(3,665)	(3,051)
Total operating income	<u>\$ 71,230</u>	<u>\$ 52,503</u>	<u>\$ 48,999</u>

The U.S. and China were the only countries that accounted for more than 10% of the Company's net sales in 2015, 2014 and 2013. There was no single customer that accounted for more than 10% of net sales in 2015, 2014 or 2013. Net sales for 2015, 2014 and 2013 and long-lived assets as of September 26, 2015 and September 27, 2014 are as follows (in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net sales:			
U.S.	\$ 81,732	\$ 68,909	\$ 66,197
China (1)	56,547	30,638	25,946
Other countries	95,436	83,248	78,767
Total net sales	<u>\$ 233,715</u>	<u>\$ 182,795</u>	<u>\$ 170,910</u>
Long-lived assets:			
U.S.	\$ 12,022	\$ 9,108	
China (1)	8,722	9,477	
Other countries	3,040	2,917	
Total long-lived assets	<u>\$ 23,784</u>	<u>\$ 21,502</u>	

(1) China includes Hong Kong. Long-lived assets located in China consist primarily of product tooling and manufacturing process equipment and assets related to retail stores and related infrastructure.

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Net sales by product for 2015, 2014 and 2013 are as follows (in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net Sales by Product:			
iPhone (1)	\$ 155,041	\$ 101,991	\$ 91,279
iPad (1)	23,227	30,283	31,980
Mac (1)	25,471	24,079	21,483
Services (2)	19,909	18,063	16,051
Other Products (1)(3)	10,067	8,379	10,117
Total net sales	<u>\$ 233,715</u>	<u>\$ 182,795</u>	<u>\$ 170,910</u>

(1) Includes deferrals and amortization of related software upgrade rights and non-software services.

(2) Includes revenue from the iTunes Store, App Store, Mac App Store, iBooks Store, Apple Music, AppleCare, Apple Pay, licensing and other services.

(3) Includes sales of Apple TV, Apple Watch, Beats products, iPod and Apple-branded and third-party accessories.

Note 12 – Selected Quarterly Financial Information (Unaudited)

The following tables show a summary of the Company's quarterly financial information for each of the four quarters of 2015 and 2014 (in millions, except per share amounts):

2015:	<u>Fourth Quarter</u>	<u>Third Quarter</u>	<u>Second Quarter</u>	<u>First Quarter</u>
Net sales	\$ 51,501	\$ 49,605	\$ 58,010	\$ 74,599
Gross margin	\$ 20,548	\$ 19,681	\$ 23,656	\$ 29,741
Net income	\$ 11,124	\$ 10,677	\$ 13,569	\$ 18,024

Earnings per share (1):

Basic	\$ 1.97	\$ 1.86	\$ 2.34	\$ 3.08
Diluted	\$ 1.96	\$ 1.85	\$ 2.33	\$ 3.06

2014:	<u>Fourth Quarter</u>	<u>Third Quarter</u>	<u>Second Quarter</u>	<u>First Quarter</u>
Net sales	\$ 42,123	\$ 37,432	\$ 45,646	\$ 57,594
Gross margin	\$ 16,009	\$ 14,735	\$ 17,947	\$ 21,846
Net income	\$ 8,467	\$ 7,748	\$ 10,223	\$ 13,072

Earnings per share (1):

Basic	\$ 1.43	\$ 1.29	\$ 1.67	\$ 2.08
Diluted	\$ 1.42	\$ 1.28	\$ 1.66	\$ 2.07

(1) Basic and diluted earnings per share are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted per share information may not equal annual basic and diluted earnings per share.

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Apple Inc.

We have audited the accompanying consolidated balance sheets of Apple Inc. as of September 26, 2015 and September 27, 2014, and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended September 26, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Apple Inc. at September 26, 2015 and September 27, 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 26, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Apple Inc.'s internal control over financial reporting as of September 26, 2015, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated October 28, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Jose, California
October 28, 2015

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Report of Ernst & Young LLP, Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Apple Inc.

We have audited Apple Inc.'s internal control over financial reporting as of September 26, 2015, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (“the COSO criteria”). Apple Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Apple Inc. maintained, in all material respects, effective internal control over financial reporting as of September 26, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2015 consolidated financial statements of Apple Inc. and our report dated October 28, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Jose, California
October 28, 2015

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of the Company's management, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") were effective as of September 26, 2015 to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Inherent Limitations Over Internal Controls

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles ("GAAP"). The Company's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Management, including the Company's Chief Executive Officer and Chief Financial Officer, does not expect that the Company's internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's Annual Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on the Company's assessment, management has concluded that its internal control over financial reporting was effective as of September 26, 2015 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an audit report on the Company's internal control over financial reporting, which appears in Part II, Item 8 of this Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the fourth quarter of 2015, which were identified in connection with management's evaluation required by paragraph (d) of rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is set forth under the headings “Directors, Corporate Governance and Executive Officers” in the Company’s 2016 Proxy Statement to be filed with the U.S. Securities and Exchange Commission (the “SEC”) within 120 days after September 26, 2015 in connection with the solicitation of proxies for the Company’s 2016 annual meeting of shareholders and is incorporated herein by reference.

The Company has a code of ethics, “Business Conduct: The way we do business worldwide,” that applies to all employees, including the Company’s principal executive officer, principal financial officer, and principal accounting officer, as well as to the members of the Board of Directors of the Company. The code is available at investor.apple.com/corporate-governance.cfm. The Company intends to disclose any changes in, or waivers from, this code by posting such information on the same website or by filing a Form 8-K, in each case to the extent such disclosure is required by rules of the SEC or the NASDAQ Stock Market LLC.

Item 11. Executive Compensation

The information required by this Item is set forth under the heading “Executive Compensation” and under the subheadings “Board Oversight of Risk Management,” “Compensation Committee Interlocks and Insider Participation,” “Compensation of Directors” and “Director Compensation-2015” under the heading “Directors, Corporate Governance and Executive Officers” in the Company’s 2016 Proxy Statement to be filed with the SEC within 120 days after September 26, 2015 and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is set forth under the headings “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” in the Company’s 2016 Proxy Statement to be filed with the SEC within 120 days after September 26, 2015 and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is set forth under the subheadings “Board Committees,” “Review, Approval or Ratification of Transactions with Related Persons” and “Transactions with Related Persons” under the heading “Directors, Corporate Governance and Executive Officers” in the Company’s 2016 Proxy Statement to be filed with the SEC within 120 days after September 26, 2015 and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this Item is set forth under the subheadings “Fees Paid to Auditors” and “Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services Performed by the Independent Registered Public Accounting Firm” under the proposal “Ratification of Appointment of Independent Registered Public Accounting Firm” in the Company’s 2016 Proxy Statement to be filed with the SEC within 120 days after September 26, 2015 and is incorporated herein by reference.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of this report

(1) All financial statements

Index to Consolidated Financial Statements	Page
Consolidated Statements of Operations for the years ended September 26, 2015, September 27, 2014 and September 28, 2013	39
Consolidated Statements of Comprehensive Income for the years ended September 26, 2015, September 27, 2014 and September 28, 2013	40
Consolidated Balance Sheets as of September 26, 2015 and September 27, 2014	41
Consolidated Statements of Shareholders' Equity for the years ended September 26, 2015, September 27, 2014 and September 28, 2013	42
Consolidated Statements of Cash Flows for the years ended September 26, 2015, September 27, 2014 and September 28, 2013	43
Notes to Consolidated Financial Statements	44
Selected Quarterly Financial Information (Unaudited)	68
Reports of Ernst & Young LLP, Independent Registered Public Accounting Firm	69

(2) Financial Statement Schedules

All financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto included in this Form 10-K.

(3) Exhibits required by Item 601 of Regulation S-K

The information required by this Section (a)(3) of Item 15 is set forth on the exhibit index that follows the Signatures page of this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: October 28, 2015

Apple Inc.

By: /s/ Luca Maestri
Luca Maestri
Senior Vice President,
Chief Financial Officer

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Timothy D. Cook and Luca Maestri, jointly and severally, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Timothy D. Cook</u> TIMOTHY D. COOK	Chief Executive Officer and Director (Principal Executive Officer)	October 28, 2015
<u>/s/ Luca Maestri</u> LUCA MAESTRI	Senior Vice President, Chief Financial Officer (Principal Financial Officer)	October 28, 2015
<u>/s/ Chris Kondo</u> CHRIS KONDO	Senior Director of Corporate Accounting (Principal Accounting Officer)	October 28, 2015
<u>/s/ Al Gore</u> AL GORE	Director	October 28, 2015
<u>/s/ Robert A. Iger</u> ROBERT A. IGER	Director	October 28, 2015
<u>/s/ Andrea Jung</u> ANDREA JUNG	Director	October 28, 2015
<u>/s/ Arthur D. Levinson</u> ARTHUR D. LEVINSON	Director	October 28, 2015
<u>/s/ Ronald D. Sugar</u> RONALD D. SUGAR	Director	October 28, 2015
<u>/s/ Susan L. Wagner</u> SUSAN L. WAGNER	Director	October 28, 2015

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EXHIBIT INDEX (1)

Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date/Period End Date
3.1	Restated Articles of Incorporation of the Registrant effective as of June 6, 2014.	8-K	3.1	6/6/14
3.2	Amended and Restated Bylaws of the Registrant effective as of February 28, 2014.	8-K	3.2	3/5/14
4.1	Form of Common Stock Certificate of the Registrant.	10-Q	4.1	12/30/06
4.2	Indenture, dated as of April 29, 2013, between the Registrant and The Bank of New York Mellon Trust Company, N.A., as Trustee.	S-3	4.1	4/29/13
4.3	Officer's Certificate of the Registrant, dated as of May 3, 2013, including forms of global notes representing the Floating Rate Notes due 2016, Floating Rate Notes due 2018, 0.45% Notes due 2016, 1.00% Notes due 2018, 2.40% Notes due 2023 and 3.85% Notes due 2043.	8-K	4.1	5/3/13
4.4	Officer's Certificate of the Registrant, dated as of May 6, 2014, including forms of global notes representing the Floating Rate Notes due 2017, Floating Rate Notes due 2019, 1.05% Notes due 2017, 2.10% Notes due 2019, 2.85% Notes due 2021, 3.45% Notes due 2024 and 4.45% Notes due 2044.	8-K	4.1	5/6/14
4.5	Officer's Certificate of the Registrant, dated as of November 10, 2014, including forms of global notes representing the 1.000% Notes due 2022 and 1.625% Notes due 2026.	8-K	4.1	11/10/14
4.6	Officer's Certificate of the Registrant, dated as of February 9, 2015, including forms of global notes representing the Floating Rate Notes due 2020, 1.55% Notes due 2020, 2.15% Notes due 2022, 2.50% Notes due 2025 and 3.45% Notes due 2045.	8-K	4.1	2/9/15
4.7	Officer's Certificate of the Registrant, dated as of May 13, 2015, including forms of global notes representing the Floating Rate Notes due 2017, Floating Rate Notes due 2020, 0.900% Notes due 2017, 2.000% Notes due 2020, 2.700% Notes due 2022, 3.200% Notes due 2025, and 4.375% Notes due 2045.	8-K	4.1	5/13/15
4.8	Officer's Certificate of the Registrant, dated as of June 10, 2015, including forms of global notes representing the 0.35% Notes due 2020.	8-K	4.1	6/10/15
4.9	Officer's Certificate of the Registrant, dated as of July 31, 2015, including forms of global notes representing the 3.05% Notes due 2029 and 3.60% Notes due 2042.	8-K	4.1	7/31/15
4.10	Officer's Certificate of the Registrant, dated as of September 17, 2015, including forms of global notes representing the 1.375% Notes due 2024 and 2.000% Notes due 2027.	8-K	4.1	9/17/15
10.1*	Employee Stock Purchase Plan, as amended and restated as of March 10, 2015.	8-K	10.1	3/13/15
10.2*	Form of Indemnification Agreement between the Registrant and each director and executive officer of the Registrant.	10-Q	10.2	6/27/09
10.3*	1997 Director Stock Plan, as amended through August 23, 2012.	10-Q	10.3	12/28/13
10.4*	2003 Employee Stock Plan, as amended through February 25, 2010.	8-K	10.1	3/1/10
10.5*	Form of Restricted Stock Unit Award Agreement under 2003 Employee Stock Plan effective as of November 16, 2010.	10-Q	10.10	12/25/10
10.6*	Form of Restricted Stock Unit Award Agreement under 2003 Employee Stock Plan effective as of April 6, 2012.	10-Q	10.8	3/31/12

[Table of Contents](#)

Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date/Period End Date
10.7*	Summary Description of Amendment, effective as of May 24, 2012, to certain Restricted Stock Unit Award Agreements outstanding as of April 5, 2012.	10-Q	10.8	6/30/12
10.8*	2014 Employee Stock Plan.	8-K	10.1	3/5/14
10.9*	Form of Restricted Stock Unit Award Agreement under 2014 Employee Stock Plan as of February 28, 2014.	8-K	10.2	3/5/14
10.10*	Form of Performance Award Agreement under 2014 Employee Stock Plan effective as of February 28, 2014.	8-K	10.3	3/5/14
10.11*	Form of Restricted Stock Unit Award Agreement under 2014 Employee Stock Plan effective as of August 26, 2014.	10-K	10.11	9/27/14
10.12*	Form of Performance Award Agreement under 2014 Employee Stock Plan effective as of August 26, 2014.	10-K	10.12	9/27/14
10.13*	Form of Amendment, effective as of August 26, 2014, to Restricted Stock Unit Award Agreements and Performance Award Agreements outstanding as of August 26, 2014.	10-K	10.13	9/27/14
10.14*	Offer Letter, dated August 1, 2013, from the Registrant to Angela Ahrendts.	10-Q	10.14	12/27/14
12.1**	Computation of Ratio of Earnings to Fixed Charges.			
21.1**	Subsidiaries of the Registrant.			
23.1**	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.			
24.1**	Power of Attorney (included on the Signatures page of this Annual Report on Form 10-K).			
31.1**	Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer.			
31.2**	Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer.			
32.1***	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer.			
101.INS**	XBRL Instance Document.			
101.SCH**	XBRL Taxonomy Extension Schema Document.			
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document.			
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document.			
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document.			
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document.			
*	Indicates management contract or compensatory plan or arrangement.			
**	Filed herewith.			
***	Furnished herewith.			
(1)	Certain instruments defining the rights of holders of long-term debt securities of the Registrant are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Registrant hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.			

Apple Inc.
Computation of Ratio of Earnings to Fixed Charges
(In millions, except ratios)

	Years ended				
	September 26, 2015	September 27, 2014	September 28, 2013	September 29, 2012	September 24, 2011
Earnings:					
Earnings before provision for income taxes	\$ 72,515	\$ 53,483	\$ 50,155	\$ 55,763	\$ 34,205
Add: Fixed Charges	892	527	265	98	68
Total Earnings	\$ 73,407	\$ 54,010	\$ 50,420	\$ 55,861	\$ 34,273
Fixed Charges (1):					
Interest Expense	\$ 733	\$ 384	\$ 136	\$ 0	\$ 0
Interest component of rental expense	159	143	129	98	68
Total Fixed Charges	\$ 892	\$ 527	\$ 265	\$ 98	\$ 68
Ratio of Earnings to Fixed Charges (2)	82	102	190	570	504

(1) Fixed charges include the portion of rental expense that management believes is representative of the interest component.

(2) The ratio of earnings to fixed charges is computed by dividing Total Earnings by Total Fixed Charges.

**Subsidiaries of
Apple Inc.***

	<u>Jurisdiction of Incorporation</u>
Apple Sales International	Ireland
Apple Operations International	Ireland
Apple Operations Europe	Ireland
Braeburn Capital, Inc.	Nevada, U.S.

* Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of other subsidiaries of Apple Inc. are omitted because, considered in the aggregate, they would not constitute a significant subsidiary as of the end of the year covered by this report.

Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-203698) pertaining to Apple Inc. Employee Stock Purchase Plan,
- (2) Registration Statement (Form S-8 No. 333-195509) pertaining to Apple Inc. 2014 Employee Stock Plan,
- (3) Registration Statement (Form S-8 No. 333-193709) pertaining to Topsy Labs, Inc. 2007 Stock Plan,
- (4) Registration Statement (Form S-3 ASR No. 333-188191) of Apple Inc.,
- (5) Registration Statement (Form S-8 No. 333-184706) pertaining to AuthenTec, Inc. 2007 Stock Incentive Plan and AuthenTec, Inc. 2010 Incentive Plan, as amended,
- (6) Registration Statement (Form S-8 No. 333-180981) pertaining to Chomp Inc. 2009 Equity Incentive Plan,
- (7) Registration Statement (Form S-8 No. 333-179189) pertaining to Anobit Technologies Ltd. Global Share Incentive Plan (2006),
- (8) Registration Statement (Form S-8 No. 333-168279) pertaining to Siri, Inc. 2008 Stock Option/Stock Issuance Plan,
- (9) Registration Statement (Form S-8 No. 333-165214) pertaining to Apple Inc. 2003 Employee Stock Plan, la la media, inc. 2005 Stock Plan and Quattro Wireless, Inc. 2006 Stock Option and Grant Plan,
- (10) Registration Statement (Form S-8 No. 333-146026) pertaining to Apple Inc. 2003 Employee Stock Plan and Apple Inc. Amended Employee Stock Purchase Plan,
- (11) Registration Statement (Form S-8 No. 333-125148) pertaining to Employee Stock Purchase Plan and 2003 Employee Stock Plan, and
- (12) Registration Statement (Form S-8 No. 333-60455) pertaining to 1997 Director Stock Option Plan;

of our reports dated October 28, 2015 with respect to the consolidated financial statements of Apple Inc., and the effectiveness of internal control over financial reporting of Apple Inc., included in this Annual Report on Form 10-K for the year ended September 26, 2015.

/s/ Ernst & Young LLP

San Jose, California
October 28, 2015

CERTIFICATION

I, Timothy D. Cook, certify that:

1. I have reviewed this annual report on Form 10-K of Apple Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: October 28, 2015

By: /s/ Timothy D. Cook
Timothy D. Cook
Chief Executive Officer

CERTIFICATION

I, Luca Maestri, certify that:

1. I have reviewed this annual report on Form 10-K of Apple Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: October 28, 2015

By: /s/ Luca Maestri

Luca Maestri
Senior Vice President,
Chief Financial Officer

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Timothy D. Cook, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Apple Inc. on Form 10-K for the fiscal year ended September 26, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-K fairly presents in all material respects the financial condition and results of operations of Apple Inc. at the dates and for the periods indicated.

Date: October 28, 2015

By: /s/ Timothy D. Cook

Timothy D. Cook
Chief Executive Officer

I, Luca Maestri, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Apple Inc. on Form 10-K for the fiscal year ended September 26, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-K fairly presents in all material respects the financial condition and results of operations of Apple Inc. at the dates and for the periods indicated.

Date: October 28, 2015

By: /s/ Luca Maestri

Luca Maestri
Senior Vice President,
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Apple Inc. and will be retained by Apple Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 13









EXHIBIT 14

EXHIBIT 14

CLAIM CHART DEMONSTRATING APPLE'S PRACTICE OF U.S. PATENT NO. 6,928,433

The Apple iPhone 6S is sold with the iOS operating system and the Apple "Music" application preinstalled. The Apple iPhone 6S practices at least the claims of U.S. Patent No. 6,928,433 set forth below.

'433 Claims	Apple iPhone 6S
<p>1. A method of selecting at least one track from a plurality of tracks stored in a computer-readable medium of a portable media player configured to present sequentially a first, second, and third display screen on the display of the media player, the plurality of tracks accessed according to a hierarchy, the hierarchy having a plurality of categories, subcategories, and items respectively in a first, second, and third level of the hierarchy, the method comprising:</p>	<p>[CHARTED FOR PURPOSES OF DEPENDENT CLAIMS]</p> <p>To the extent that the preamble is construed to be a limitation to the claim, the Apple iPhone 6S is operable to perform a method of selecting at least one track from a plurality of tracks stored in a computer-readable medium of a portable media player configured to present sequentially a first, second, and third display screen on the display of the media player, the plurality of tracks accessed according to a hierarchy, the hierarchy having a plurality of categories, subcategories, and items respectively in a first, second, and third level of the hierarchy.</p> <p>The Apple iPhone 6S is imported and sold with a "Music" application preinstalled, which is operable to access the plurality of tracks according to a hierarchy. The Apple iPhone 6S is configured to present sequentially a first display screen (showing categories such as "Albums," "Artists," and "Genres"); a second display screen (depending on the selected category, showing a listing of subcategories such as albums, artists, or genres represented in the music tracks stored on the Apple iPhone 6S); and a third display screen (showing a listing of tracks corresponding to the selection made on the second display screen).</p> <p>The following three screenshots demonstrate a navigation through a first, second, and third display screens respectively.</p>

'433 Claims

Apple iPhone 6S

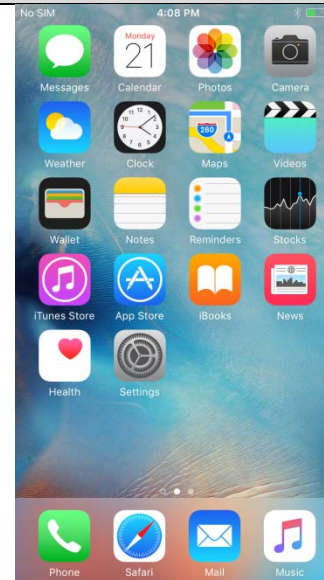


Fig. 1 – Selecting the “Music” icon launches the preinstalled “Music” application.

'433 Claims

Apple iPhone 6S

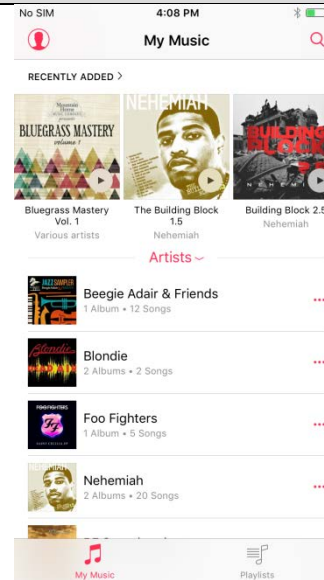


Fig. 2 – The category button (currently displaying “Artists”) is selected.

'433 Claims

Apple iPhone 6S

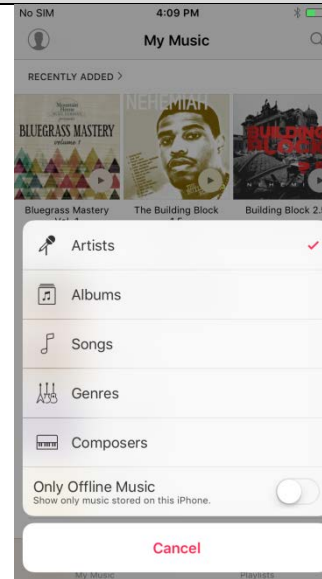


Fig. 3 – The first display screen displays categories, including “Albums,” “Artists,” and “Songs.” In this example, “Albums” is selected.

'433 Claims

Apple iPhone 6S

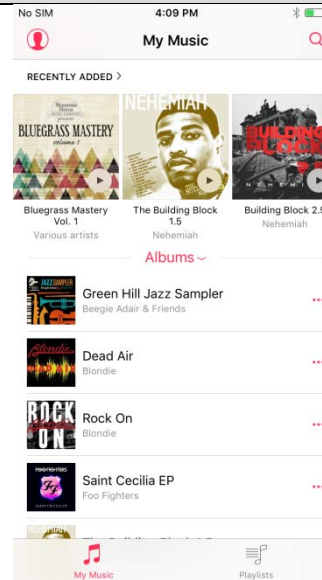
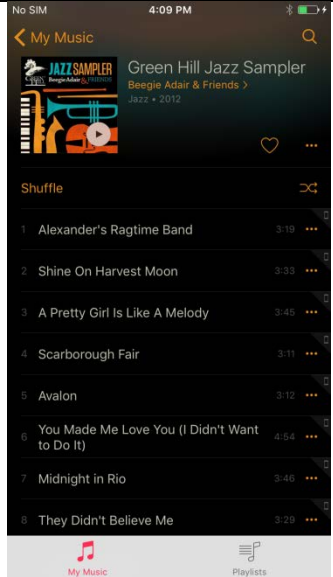
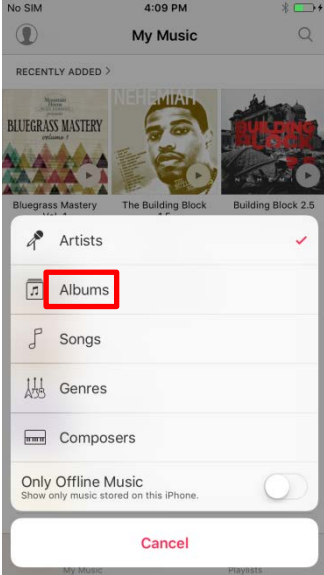
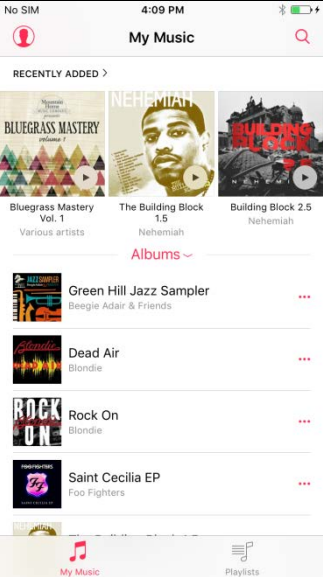
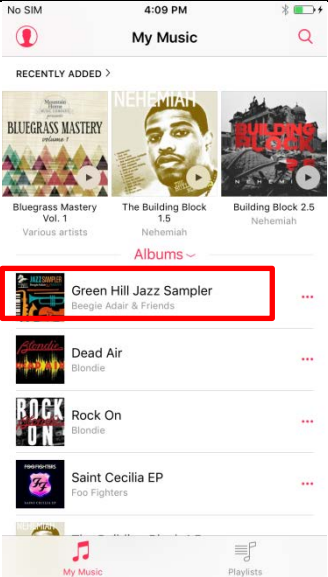


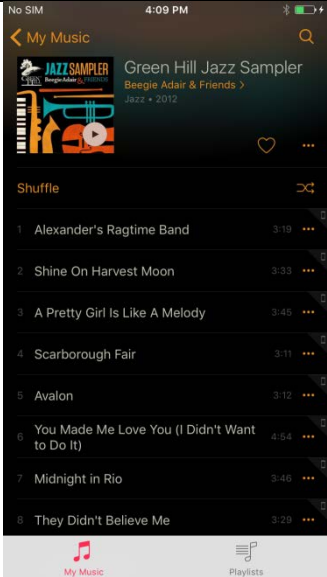
Fig. 4 – After selecting “Albums,” the second display screen displays albums located on the device. In this example, the album “Green Hill Jazz Sampler” is selected.

'433 Claims	Apple iPhone 6S
	 <p data-bbox="760 766 1873 836">Fig. 5 – After selecting an album, the third display screen displays tracks on the device associated with the selected album.</p>
(a) selecting a category in the first display screen of the portable media player;	<p data-bbox="760 865 1873 935">The Apple iPhone 6S is operable to perform the step of selecting a category in the first display screen of the portable media player.</p> <p data-bbox="760 959 1873 1065">The pre-installed Music application on the Apple iPhone 6S allows a user to select a category in the first display screen. The category options include “Albums,” “Artists,” “Songs,” “Genres,” and “Composers.”</p>

'433 Claims	Apple iPhone 6S
	 <p data-bbox="751 768 1518 800">Fig. 6 – In this example, the category “Albums” is selected.</p>
<p data-bbox="170 829 716 935">(b) displaying the subcategories belonging to the selected category in a listing presented in the second display screen;</p>	<p data-bbox="758 829 1843 898">The Apple iPhone 6S is operable to perform the step of displaying the subcategories belonging to the selected category in a listing presented in the second display screen.</p> <p data-bbox="758 922 1885 1101">The pre-installed Music application on the Apple iPhone 6S displays the corresponding subcategories in a second display screen when a user selects one of the categories in the first display screen. For example, if the user selects the “Albums” category in the first display screen, the Music application displays a second display screen containing album names.</p>

'433 Claims	Apple iPhone 6S
	 <p data-bbox="751 766 1885 831">Fig. 7 – After selecting “Albums,” the second display screen displays albums located on the device.</p>
<p data-bbox="172 867 688 932">(c) selecting a subcategory in the second display screen;</p>	<p data-bbox="760 867 1852 932">The Apple iPhone 6S is operable to perform the step of selecting a subcategory in the second display screen.</p> <p data-bbox="760 961 1839 1101">The pre-installed Music application on the Apple iPhone 6S allows a user to select a subcategory in the second display screen. For example, if the user selected the “Albums” category in the first display screen, a user can select an album from the albums displayed on the second display screen.</p>

'433 Claims	Apple iPhone 6S
	 <p data-bbox="747 768 1894 833">Fig. 8 – In this example, the album “Green Hill Jazz Sampler” is selected from this list of albums.</p>
<p data-bbox="163 865 705 971">(d) displaying the items belonging to the selected subcategory in a listing presented in the third display screen; and</p>	<p data-bbox="747 865 1894 930">The Apple iPhone 6S is operable to perform the step of displaying the items belonging to the selected subcategory in a listing presented in the third display screen.</p> <p data-bbox="747 963 1894 1174">The pre-installed Music application on the Apple iPhone 6S displays the corresponding items in a third display screen when a user selects one of the subcategories in the second display screen. For example, if a user selects the “Green Hill Jazz Sampler” album in the second display screen, the Music application displays a third display screen containing the music tracks stored on the Apple iPhone 6S belonging to the selected album.</p>

'433 Claims	Apple iPhone 6S
	 <p data-bbox="760 766 1871 834">Fig. 9 – After selecting an album, the third display screen displays tracks on the device associated with the selected album.</p>
<p data-bbox="170 867 709 967">(e) accessing at least one track based on a selection made in one of the display screens.</p>	<p data-bbox="760 867 1902 935">The Apple iPhone 6S is operable to perform the step of accessing at least one track based on a selection made in one of the display screens.</p> <p data-bbox="760 961 1881 1101">The pre-installed Music application on the Apple iPhone 6S will access a track, for example playing a track based on a selection made in one of the display screens. For example, when the user selects the track “Shine On Harvest Moon” on the third display screen, the “Shine On Harvest Moon” track begins playing.</p>

'433 Claims

Apple iPhone 6S

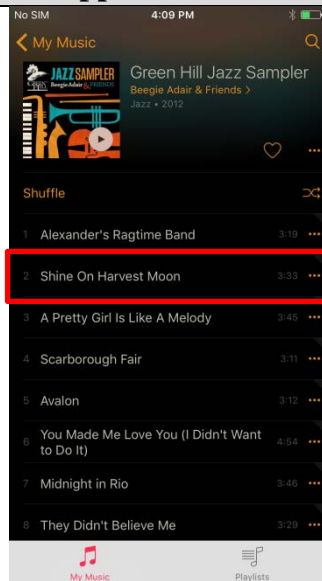
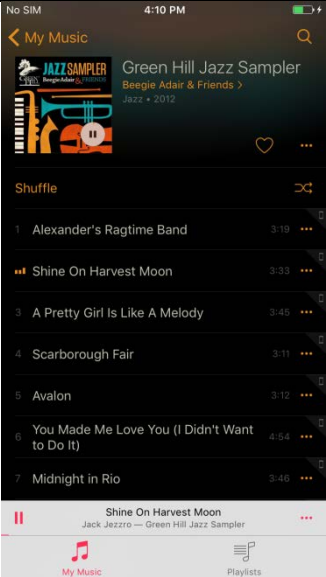


Fig. 10 – Selecting the “Shine On Harvest Moon” track results in playing the selected track.

'433 Claims	Apple iPhone 6S
	 <p>The screenshot shows the Music app on an iPhone 6S. At the top, it says 'My Music' and 'Green Hill Jazz Sampler' by Beegie Adair & Friends. Below that is a 'Shuffle' button and a list of tracks: 1. Alexander's Ragtime Band (3:18), 2. Shine On Harvest Moon (3:33), 3. A Pretty Girl Is Like A Melody (2:48), 4. Scarborough Fair (3:11), 5. Avalon (3:12), 6. You Made Me Love You (I Didn't Want to Do It) (4:54), 7. Midnight in Rio (3:48). The track 'Shine On Harvest Moon' is currently playing, as indicated by the progress bar and the play button icon.</p>
<p>5. The method of selecting a track as recited in claim 1 wherein the accessing at least one track comprises selecting an item in the third display screen and adding at least one track associated with the selected item to a playlist.</p>	<p>The Apple iPhone 6S is operable to perform the step of accessing at least one track by selecting an item in the third display screen and adding at least one track associated with the selected item to a playlist.</p> <p>After selecting a subcategory from the second screen, the pre-installed Music application on the Apple iPhone 6S is operable to add a track associated with the selected subcategory to a playlist. For example, the Apple iPhone 6S allows a user to select an album from the second display screen, and then from the third display screen the Apple iPhone 6S allows a user to select a track from that album resulting in that track being added to the queue.</p> <p>See discussion for claim 1.</p>

'433 Claims

Apple iPhone 6S

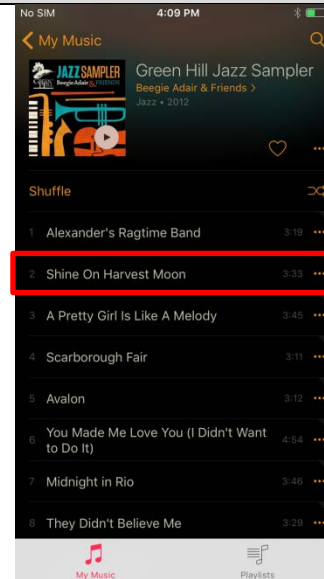


Fig. 12 – Selecting the “Shine On Harvest Moon” track on the third display screen results in all of the songs from the album being added to the queue.

'433 Claims

Apple iPhone 6S

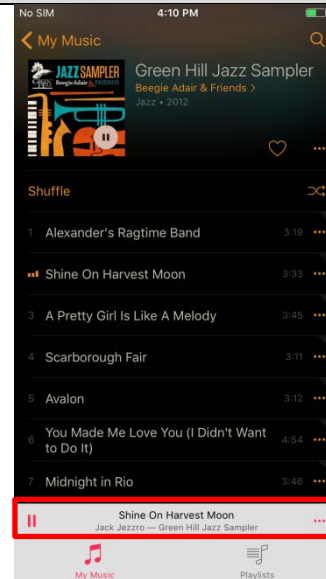



Fig. 13 – To demonstrate that all of the songs for the album have been added to the queue, the now playing bar is selected from the bottom of the screen.

'433 Claims	Apple iPhone 6S
	 <p data-bbox="779 768 1728 797">Fig. 14 – The playlist button is selected to show the queue of active songs.</p>

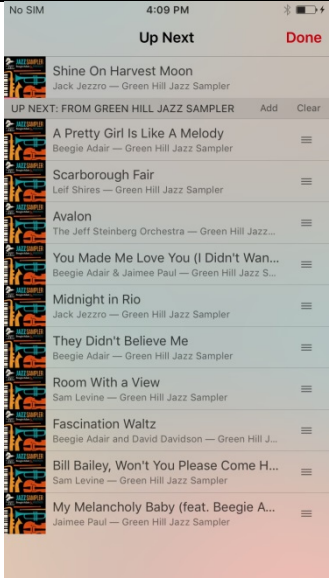
'433 Claims	Apple iPhone 6S
	 <p>The screenshot shows the 'Up Next' screen on an iPhone 6S. At the top, it says 'No SIM', '4:09 PM', and 'Done'. Below that, the title 'Up Next' is centered. The playlist contains the following tracks:</p> <ul style="list-style-type: none"> Shine On Harvest Moon (Jack Jezzro — Green Hill Jazz Sampler) UP NEXT: FROM GREEN HILL JAZZ SAMPLER (Add Clear) A Pretty Girl Is Like A Melody (Beegie Adair — Green Hill Jazz Sampler) Scarborough Fair (Leif Shires — Green Hill Jazz Sampler) Avalon (The Jeff Steinberg Orchestra — Green Hill Jazz...) You Made Me Love You (I Didn't Wan... (Beegie Adair & Jaimee Paul — Green Hill Jazz S...) Midnight in Rio (Jack Jezzro — Green Hill Jazz Sampler) They Didn't Believe Me (Beegie Adair — Green Hill Jazz Sampler) Room With a View (Sam Levine — Green Hill Jazz Sampler) Fascination Waltz (Beegie Adair and David Davidson — Green Hill J...) Bill Bailey, Won't You Please Come H... (Sam Levine — Green Hill Jazz Sampler) My Melancholy Baby (feat. Beegie A... (Jaimee Paul — Green Hill Jazz Sampler)
<p>Fig. 15 – The Up Next screen shows that all of the tracks from the album have been queued.</p>	

EXHIBIT 15

A faint, light-colored map of the United States is centered in the background of the teal slide.

Creating jobs through innovation

Over the years, Apple has driven incredible job growth and created entirely new industries. In fact, our products and innovations have led to almost 2 million U.S. jobs — from our engineers and retail employees to suppliers, manufacturers, and app developers.

2015 Update

As of December 2015, Apple is responsible for creating and supporting 1.9 million jobs. Nearly three-quarters of those jobs — 1.4 million — are attributable to the iOS ecosystem. Our spend and investment with thousands of US-based suppliers supports 361,000 jobs, and we now directly employ more than 76,000 people in the US, representing nearly two thirds of Apple's worldwide team.

Read more: apple.com/pr □



The 2014 Numbers at a Glance

1,027,000

U.S. jobs created or supported by Apple

627_K

Jobs attributable to the iOS ecosystem¹

334_K

Jobs at other companies resulting from Apple's spending and growth²

66_K

Apple employees in the U.S.

The App Economy

Apple ignited the app revolution with the launch of the App Store in 2008. Since then, an entire industry has been built around app design and development. In just six years, the iOS ecosystem has helped create over 627,000 jobs, and U.S.-based developers have earned more than \$8 billion from App Store sales worldwide.

A recent APPNATION study projects that the

380_K

Members of Apple's paid developer program

overall app economy will exceed \$150 billion worldwide within three years, with the industry continuing to create more job openings than can be filled.

\$8B+

Of App Store income earned by U.S. developers

78%

Of companies making apps located outside of Silicon Valley³



Spotlight on Developers

The App Store has opened up enormous opportunities by enabling developers to reach tens of millions of customers around the world.



HotelTonight

“We started HotelTonight as just three people working and coding out of a small office above a boxing ring. Since our 2011 launch, HotelTonight has grown exponentially with more than 11 million downloads, over 150 employees, and offices in San Francisco, London, Paris, and Berlin. Apple has been a key partner in contributing to this growth.”

Sam Shank
CEO and cofounder, HotelTonight



Jobs at Apple

The number of employees directly employed by Apple has grown nearly sixfold over the past 10 years, at a time when overall employment in the U.S. has stagnated. In the past year alone, Apple has added more than 9,000 jobs, and approximately two-thirds of our worldwide team remains in the U.S.

Jobs at Apple span a wide range of roles

52k
Jobs added in
the past decade

— artists, designers, scientists, operations, construction, manufacturing, retail, tech support, sales, marketing, and the best hardware and software engineers in the world.

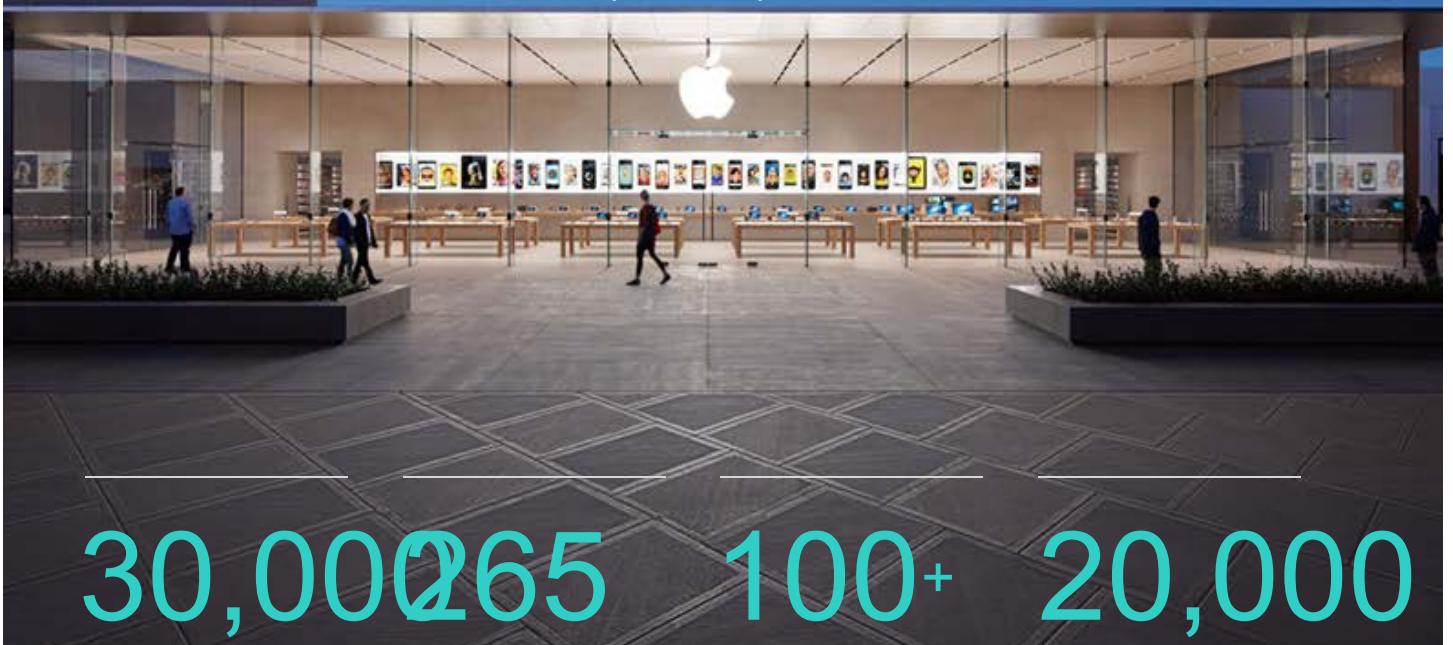
[View all current positions at Apple](#) □

50

States with full time Apple employees

Apple Retail

Our 265 retail stores across 44 states average over 100 employees each — the majority of whom are full time employees hired from the local community. Unlike most retailers, we don't rely on seasonal hiring. And part time Apple Store employees are eligible for the same benefits as our full time staff, including health insurance and the employee stock purchase plan.



30,000 265 100+ 20,000

U.S. retail employees

Apple stores in
the U.S.

Locally hired
employees per store
on average

Construction related
jobs created to build
Apple stores

Supporting Economies Throughout the U.S.

Apple directly or indirectly supports roughly 400,000 jobs in the U.S. These jobs include numerous industries, from the people who create components for our products to the people who build the planes and trucks that carry them to our customers. Together with over 627,000 jobs generated by the iOS ecosystem, there are over 1 million U.S. jobs created or supported by Apple.

Apple contributes to the American economy in many other ways. The phenomenal growth of iPhone alone has added an estimated one-quarter to one-third of a percentage point to the annualized growth rate in the U.S. gross domestic product.⁴ And our focus on domestic manufacturing has resulted in thousands of jobs in communities both big and small.

Thirty-one of the 50 states provide parts, materials, or equipment to make Apple products. This manufacturing spans an incredible range of industries with suppliers from coast to coast. For example, some iMac models are assembled and

8,000

U.S. based suppliers
supporting Apple
operations worldwide

31

States providing parts,
materials, or equipment for
Apple products

tested in California. Many of the processors that go into Mac are from Arizona. Indiana contributes sophisticated manufacturing using high-performance alloys to ensure that our products hold up under tough conditions. Kentucky continues to be a major provider of glass for iPhone and iPad. And the cardstock for our beautiful letterpress cards comes from Wisconsin.

Supplier Diversity

For more than 20 years, Apple has supported tens of thousands of businesses through our Supplier Diversity Program. Last year we spent more than \$3 billion directly with U.S. suppliers running small or diverse businesses. We actively promote business opportunities through many partner organizations such as the National Minority Supplier Development Council, the Women's Business Enterprise National Council, the National Veteran-Owned Business Association, and the National Gay & Lesbian Chamber of Commerce.

In 2014 Apple helped launch the White House's SupplierPay initiative. The program provides expedited payment and access to lower-cost financing for small businesses contributing to our supply chain across America. We are proud to be recognized as one of America's Top

\$3_B

Spent directly with small
or diverse suppliers in
the U.S.

Organizations for Multicultural Business Opportunities, a Diversity Business Top 50 Corporation Doing Business with Diverse Suppliers, and an MBN USA Top 100 Supplier Diversity Leader. We've also earned a perfect score of 100 from the Human Rights Campaign's Corporate Equality Index.



Mac Pro

When we began work on Mac Pro, we considered every element that defines a pro computer — graphics, storage, expansion, processing power, memory — and we wanted it all to be designed and assembled in the U.S. In fact, we've invested more than \$100 million to bring the manufacturing and assembly of Mac Pro to Austin, Texas, and partnered with 24 different companies in



that state alone.

Along the way, we sought help from dozens of component and equipment suppliers in multiple states. Places like Florence, Kentucky, where we found the lathes and tooling equipment necessary to produce Mac Pro. And Elk Grove Village, Illinois, where a company called Metal Impact creates the revolutionary cylindrical aluminum enclosure.

When we initially reached out to Metal Impact, it was primarily working with aluminum in the automotive industry. Alongside its team, we created an entirely new process and supply chain, conducting more than 40 experiments with 10 different alloys on multiple aluminum mills. The result is arguably the most beautiful Mac ever, along with new jobs and millions of dollars in revenue for a small Illinois company.



Apple Campus 2

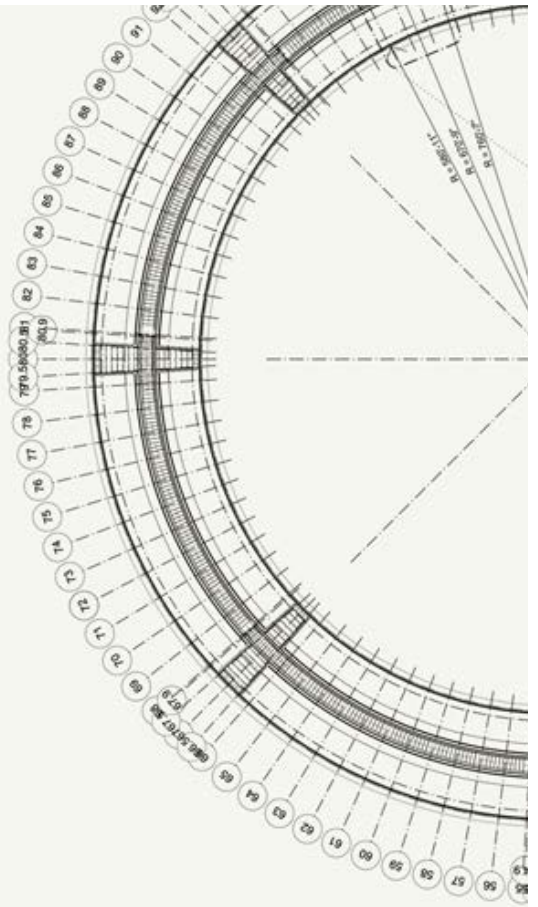
Apple's new Cupertino campus is expected to support 41,100 jobs across Santa Clara County by the time it is completed. Among them will be 12,600 full-time construction jobs over the three-year construction period.

We have approached this project with the same care and attention to detail we devote to



designing any Apple product. We will replace 2.65 million square feet of environmentally and operationally obsolete buildings with a 2.8-million-square-foot iconic, 21st-century research and development campus.

In building the new facility, Apple turned to family-owned Clark Pacific to make the void slabs that serve as both the ceiling of one floor and support for the raised surface of the floor above. Clark Pacific developed a unique structural design to meet the demands of Apple Campus 2, and the project has led to unprecedented growth and hiring for the company. It now has four plants dedicated to producing products directly related to the project. The innovation and manufacturing that went into Apple Campus 2 have also enabled Clark Pacific to expand to other large-scale construction projects up and down the West Coast.





Data Centers

Apple's data centers power services like iTunes, the App Store, and Siri. They have generated thousands of local jobs in California, Nevada, North Carolina, and Oregon through their design, buildout, and ongoing maintenance. In Maiden, North Carolina, for example, our data center created more than 1,000 construction jobs, and over 95 percent of the facility's operations staff were hired locally.

We also work with clean energy companies to develop our power-generation systems, which run all of Apple's data centers using entirely renewable energy. This commitment to reducing our impact on climate change has contributed to green industry growth with partners that build solar fields, install directed biogas facilities, and create micro-hydro systems.



U.S.-Based Customer Support

While many companies locate their technical support call centers overseas, we've kept the vast majority of call centers in the U.S. Relocating these call centers overseas to places like India would reduce costs by at least a third.

But we keep these jobs in the U.S. because it helps us deliver a better customer experience. It's also an important reason why Apple's technical support has led the industry for more than a decade.

19,000 8,000 28

U.S.-based jobs
supporting AppleCare

Home-based
AppleCare Advisors

Call centers in
18 states

700

Advisors working for
AppleCare while
earning their
college degrees

1. iOS ecosystem jobs estimate based on research by Dr. Michael Mandel and Judith Scherer of South Mountain Economics, "Geography of the App Economy," September 2012, as well as research from VisionMobile's "The European App Economy," July 2014, and "European App Economy," September 2013.
2. Analysis Group analyzed Apple's impact on the U.S. job market and economy by using information on the total amount Apple spent on goods and services in the U.S. in 2013, and applying that information to Type-1 employment multipliers developed by the U.S. Bureau of Economic Analysis. The chosen bill-of-goods approach relies on a detailed breakdown of Apple's purchases from input suppliers. These numbers do not include any additional jobs that have resulted from the increased spending of individuals and households whose income is directly or indirectly tied to Apple's economic activity.
3. "State of the App Economy 2014," ACT | The App Association.
4. "When iPhones Ring, the Economy Listens," *The New York Times*.


About Job Creation

Shop and Learn

+

Apple Store	+
For Education	+
For Business	+
Account	+
Apple Values	+
About Apple	+

More ways to shop: Visit an [Apple Store](#), call 1-800-MY-APPLE, or [find a reseller](#).

 [United States](#)

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EXHIBIT 16



KEYSER MARSTON ASSOCIATES

**Economic and Fiscal
Impacts Generated by
Apple in Cupertino –
Current Facilities and
Apple Campus 2**

*Prepared for:
Apple Inc.*

May 2013

CREATIVE PUBLIC EXHIBIT 16

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I. INTRODUCTION

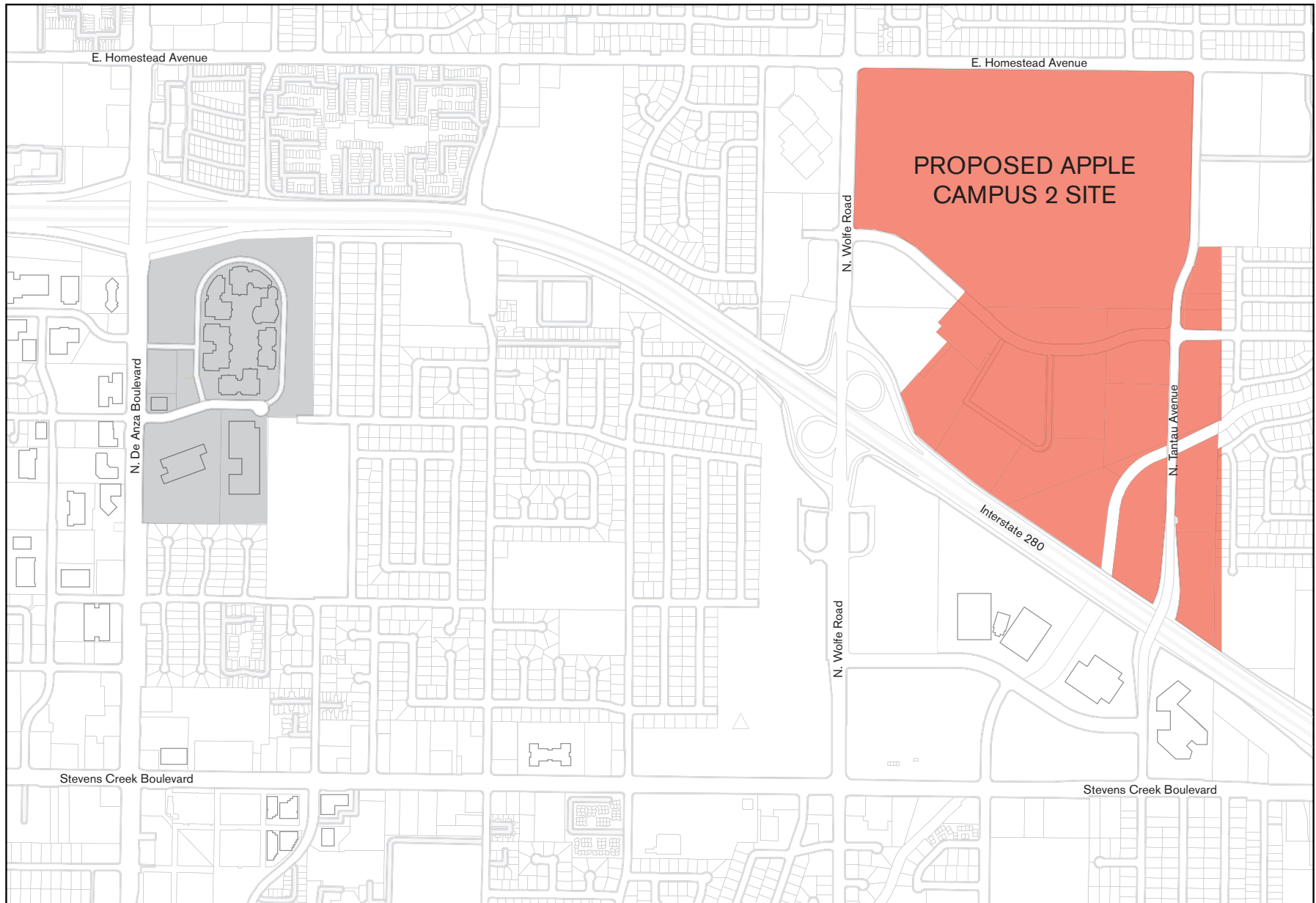
The following report has been prepared by Keyser Marston Associates, Inc. (KMA) for the City of Cupertino under contract with Apple Inc. The report addresses the economic and fiscal impacts generated by Apple's presence in Cupertino, both currently and upon the completion of Apple Campus 2. The principal objectives of the analysis are to evaluate the following:

- The on-going economic impact and benefits of Apple to the City of Cupertino;
- The ongoing economic impacts and benefits to the City of Santa Clara, City of Sunnyvale, and the broader region of Santa Clara County;
- Apple's recurring annual fiscal impacts on the City of Cupertino;
- The construction-related impacts of Apple Campus 2 on Santa Clara County; and
- The construction-related tax and fee revenues to be received by the City of Cupertino and other local public agencies from the construction of Apple Campus 2.

A. Apple's Current Facilities in Cupertino and the Apple Campus 2 Building Program

Apple Inc.'s worldwide corporate headquarters facility, which is known as the Infinite Loop Campus, is located at 1 Infinite Loop in the City of Cupertino. The 856,000 square foot campus houses approximately 3,000 employees. In order to accommodate its 13,000 additional employees based in Cupertino, Apple has had to purchase or lease more than 2 million square feet of additional space in Cupertino and in nearby cities. Apple has been assembling properties for the purpose of building a second campus over several years, including the 100-acre property that formerly served as the headquarters of Hewlett Packard. The aggregate development site for Apple Campus 2 approximates 176 acres and is shown on the following map.

Apple Cupertino Campus



 EXISTING APPLE INFINITE LOOP CAMPUS

 PROPOSED APPLE CAMPUS 2

Apple presented its most recently updated plans for Apple Campus 2 in April 2013. The campus' centerpiece will be an iconic circular office building that will accommodate up to 12,000 employees. The building will be four-stories in height and total 2.8 million square feet. Additional Apple Campus 2 Phase 1 facilities include an auditorium, fitness center, parking structures, buildings to house research and development and a central plant. The capacity of Phase 1 will be 13,000 employees. A breakdown of the planned improvements for Phase 1, excluding the parking structures, is as follows:

Phase 1 Apple Campus 2 Building Area	
<i>Main Building</i>	2,820,000 sf
<i>Auditorium</i>	120,000 sf
<i>Fitness Center</i>	100,000 sf
<i>Research Facilities</i>	300,000 sf
<i>Central Plant</i>	80,000 sf
Total GBA	3,420,000 sf

There is a Phase 2 building program, which would add about 300,000 square feet and accommodate up to 1,200 employees, bringing the total capacity of Apple Campus 2 to 14,200 employees. Since the timing of that Phase is uncertain, it has not been included in this analysis.

In order to build Apple Campus 2, the existing 2.65 million square feet of office buildings and related improvements on the property will be demolished. The footprint of the new building program will be significantly smaller, permitting extensive on-site open space.

B. Growth Scenario Evaluated in the Fiscal and Economic Report

Apple has experienced extraordinary success and growth by any standard. The company's net sales increased more than six-fold between 2006 and 2012, from \$24.6 billion to \$156.6 billion, with an average annual growth rate in excess of 36%. Apple is among the largest publicly traded companies in the world by market capitalization and is one of the largest technology companies in the world by revenue and profit.

The number of Apple employees based in Cupertino has increased at an average annual rate of 18% over the past five years. For purposes of this analysis, however, a more conservative growth rate of 10% is being used. With a 10% annual growth rate, 7,400 employees will be hired between June 2013 and the completion of Apple Campus 2 in 2016, resulting in a projected total employee count of 23,400.

II. EXECUTIVE SUMMARY

With net annual sales in excess of \$156 billion, 16,000 employees currently based in the Cupertino area, and annual purchases from local Silicon Valley-based businesses of \$4.6 billion, Apple is a cornerstone of the Silicon Valley economy and of the fiscal resources of the City of Cupertino. The completion of Apple Campus 2 is vital to the region for a number of reasons. It will:

- 1) enable Apple to continue to remain in Cupertino;
- 2) enable Apple to add an estimated 7,400 new high-quality jobs;
- 3) increase revenues of local businesses and support additional job growth throughout the region; and
- 4) enhance tax revenues to the City of Cupertino and other cities and public agencies.

A. Full-Time Jobs

Apple is the second largest technology employer in Silicon Valley, with approximately 16,000 full-time employees based in the Cupertino area. Approximately 12,100 additional jobs in Santa Clara County are generated indirectly through expenditures by Apple and Apple employees. By the time Apple Campus 2 is available for occupancy in 2016, it is expected that 7,400 new Apple employees will be based in the Cupertino area. The total number of Santa Clara County-wide jobs supported by Apple is expected to be about 41,100.

Employment Impacts on Santa Clara County	Direct Employment	Total Employment
2012 Cupertino Area Facilities	16,000	28,100
Net New with Apple Campus 2	7,400	13,000
Total with Apple Campus 2	23,400	41,100

Apple’s 16,000 employees make it Cupertino’s largest single employer, accounting for approximately 40% of the City’s job base. Indirect and induced impacts support an additional 420 jobs in the City in 2012. With the completion of Apple Campus 2, Apple is expected to support more than 24,000 jobs in Cupertino alone.

Employment Impacts on the City of Cupertino	Direct Employment	Total Employment
2012 Cupertino Area Facilities	16,000	16,400
Net New with Apple Campus 2	7,400	7,600
Total with Apple Campus 2	23,400	24,000

B. Employee Income

Apple's Cupertino-based employees collectively earned \$2.0 billion¹ in base salary in 2012. Upon the completion of Apple Campus 2, employee base salary income is expected to exceed \$2.9 billion. Company purchases and employee spending of their income on local goods and services create additional jobs, income and expenditures. Including indirect and induced impacts, Apple supported approximately \$2.7 billion of annual employee income and expenditure potential in Santa Clara County in 2012, which will increase to \$3.9 billion with the completion of Apple Campus 2.

Payroll and Employee Compensation Impacts (\$ Billions)²	Direct Salary All Cupertino-based Employees³	Direct Salary Employees Residing in Santa Clara County⁴	Indirect and Induced Salary Impacts in Santa Clara County	Total Salary Impacts in Santa Clara County
2012 Cupertino Area Facilities	\$2.0	\$1.3	\$1.4	\$2.7
Net New with Apple Campus 2	\$0.9	\$0.5	\$0.7	\$1.2
Total with Apple Campus 2	\$2.9	\$1.8	\$2.1	\$3.9

C. Apple's Support of Other Local Businesses

Apple's network of links to businesses throughout Silicon Valley is vast and dense. While the activity at the campus focuses on the research and design of new products as well as corporate management, Apple's Cupertino-based operations purchase a tremendous volume of component parts that are used in its products. As a consequence, Apple has an unusually high multiplier effect on the regional economy.

- Apple's importance to the regional economy is illustrated by the consideration that in FY 2012, the company made purchases of \$4.6 billion from over 700 businesses located within the three cities of Cupertino, Santa Clara and Sunnyvale alone. In the past two years local purchases and the number of vendors increased at an average annual rate of 36% and 26%, respectively.
- Including the multiplier effect of its purchases on other local businesses down the supply chain, Apple generated about \$5.9 billion of gross sales for non-Apple businesses in the

¹ Actual salary data for Apple employees is confidential information. Given this consideration, the salary data for software engineers published by the Occupational Employment Survey for Santa Clara County has been used as a conservative proxy for purposes of this assignment.

² Direct salaries are presented in Table 5, and indirect and induced salary impacts in Tables 6 to 10.

³ Reflects the estimate of base salary income of all Cupertino-based employees, including employees who live outside of Santa Clara County.

⁴ Reflects the estimate of base salary income of the employees who live in Santa Clara County. Approximately 35% of Apple employees live outside of Santa Clara County.

three cities in 2011/12. With the increased employment afforded by Apple Campus 2, local business revenues generated by Apple Campus 2 are expected at about \$8.6 billion.

Revenue Impacts on Cupertino, Santa Clara, and Sunnyvale Businesses (\$ Billions)	Apple Purchases	Total Impact of Apple Purchases
2012 Cupertino Facilities	\$4.6	\$5.9
Net New with Apple Campus 2	\$2.1	\$2.7
Total with Apple Campus 2	\$6.7	\$8.6

D. Recurring Annual Fiscal Impacts on the City of Cupertino

Apple is a critical component of the City of Cupertino’s fiscal health as Apple is the single largest taxpayer to the City of Cupertino. Apple will directly contribute \$9.2 million of annual tax revenue to the City in FY 2012/13,⁵ which accounts for approximately 18% of the City of Cupertino’s annual General Fund Budget. The largest components of revenues are sales taxes, property taxes, and utility user taxes. In 2012, Apple generated \$6.5 million of sales/use taxes to the City, which represented 45% of all sales/use tax revenue received by the City in FY 2011/12.

After taking into account the cost of providing municipal services, Apple will generate an \$8.0 million net fiscal surplus to the city in FY 2012/13. With Apple Campus 2, the net annual fiscal surplus generated by Apple to Cupertino is anticipated to exceed \$11 million.

Cupertino Annual Fiscal Impacts (\$ Millions)	Revenues	Expenditures	Net Revenues
2012 Cupertino Facilities	\$9.2	\$1.2	\$8.0
Net New with Apple Campus 2	\$3.8	\$0.6	\$3.2
Total with Apple Campus 2	\$13.0	\$1.8	\$11.2

E. Recurring Annual Property Tax Revenues to Local Public Agencies

In 2012, property occupied by Apple in Cupertino generated approximately \$25 million of local property tax revenue. This revenue was distributed to local public agencies, including: the City of Cupertino, local schools, the Santa Clara County Library, the Central Fire Protection District, Santa Clara County, and other local service/taxing agencies. Apple Campus 2 is anticipated to annually generate an additional \$32 million of property tax revenue to local public agencies. Total recurring property tax revenues to fund local community services are expected to exceed \$50 million each year.

⁵ Excludes “one-time” revenues associated with the construction of Apple Campus 2.

Annual Property Taxes Generated by Apple Facilities in Cupertino (\$ Millions)	Property Taxes to All Local Agencies	City of Cupertino Property Tax	Net Taxes to Other Jurisdictions
2012 Cupertino Facilities	\$24.8	\$1.2	\$23.6
Net New with Apple Campus 2	\$31.7	\$1.7	\$30.0
Total with Apple Campus 2	\$56.5	\$2.9	\$53.6

F. Recurring Annual Sales Tax Revenues to the Santa Clara Valley Transportation Authority (VTA)

Apple’s Cupertino facilities generated \$1.3 billion of taxable sales in 2012, which yielded over \$14 million of annual sales tax revenue to the VTA. The VTA tax revenue results from a series of voter-approved initiatives that levy a 1.125% tax on taxable sales. With the completion of Apple Campus 2, it is estimated that Apple will annually generate \$15.4 million of tax revenue to the VTA.

Sales Tax to VTA (\$ Millions)	Annual Recurring Revenue
2012 Cupertino Facilities	\$14.3
Net New with Apple Campus 2	\$1.1
Total with Apple Campus 2	\$15.4

G. Construction Jobs

The construction of Apple Campus 2 will generate a tremendous number of high quality, high wage construction jobs. Approximately 9,200 full-time jobs will be created over the 3-year construction period. Including indirect and induced impacts, Apple Campus 2 will generate 12,600 full-time jobs in Santa Clara County over the construction period.

Jobs Generated by Apple Campus 2 Construction	Direct Employment	Total County-Wide Employment
Construction Jobs during 3-year Period	9,200	12,600

H. Construction-Related “One Time” Revenues to the City of Cupertino

The construction of Apple Campus 2 will generate an unprecedented amount of “one-time” revenues to the City of Cupertino in the form of construction taxes and fees, totaling approximately \$38.1 million.

It is estimated that materials purchased for the construction of Apple Campus 2 will yield \$13.9 million of sales/use tax revenue to Cupertino’s General Fund. This revenue source is contingent upon Apple and Cupertino negotiating a mutually acceptable Development Agreement, under

which Apple would direct its contractors to designate Cupertino as the point of sale for construction materials. Additionally, Apple will pay approximately \$10.6 million of “construction tax” to the City pursuant to Chapter 3.32 of the City’s municipal code. The combined total of these two sources alone is \$24.5 million, which will be deposited into the City’s General Fund and available for discretionary city expenditures.

For the construction of Apple Campus 2, Apple will also pay approximately \$13.6 million in construction fees to fund building permit processing costs.⁶

Construction Period Revenues to the City of Cupertino (\$ Millions)	General Fund	Fee Revenues	Total Fees
Construction Sales/Use Tax	\$13.9		\$13.9
Construction Tax	\$10.6		\$10.6
Construction Fees		\$13.6	\$13.6
Total Revenues	\$24.5	\$13.6	\$38.1

I. Construction-Related “One-Time” Revenues to the VTA

The purchase of construction materials for the Construction of Apple 2 Campus will generate approximately \$15.6 million of sales tax revenue to the VTA.

Construction Period Revenues to the VTA (\$ Millions)	
Construction Sales/Use Tax	\$15.6

J. Apple Investment in Public Improvements & Community Benefits

As part of Apple Campus 2, Apple will also fund over \$66 million of public improvements to be built around the campus and in the City of Cupertino, as well as other community benefits. These include \$50.2 million of roadway, traffic, intersection, landscape and utility improvements, \$10 million of bicycle and pedestrian facilities, \$3.7 million in park land, and a \$2.5 million dollar contribution for affordable housing.⁷ In addition to these one-time capital investments, Apple will annually spend approximately \$35 million on a transportation demand management program, to implement the company’s alternative commute program.

⁶ Additional fee revenues will accrue to entities other than the City of Cupertino, such as the school districts, and the State of California.

⁷ The \$2.5 million dollar contribution is in addition to the \$2.5 million BMR construction fee included in the previous section.

Public Improvements and Community Benefits to be Funded by Apple (\$ Millions)	One-Time Investments	Annual Investment
Roadway, Utility and Public Safety Improvements	\$50.2	
Bicycle and Pedestrian Facilities	\$10.0	
Additional Affordable Housing Contribution	\$2.5	
Park Land	\$3.7	
Traffic Demand Management Program		\$35.0
Total	\$66.4	\$35.0

III. FINDINGS AND CONCLUSIONS

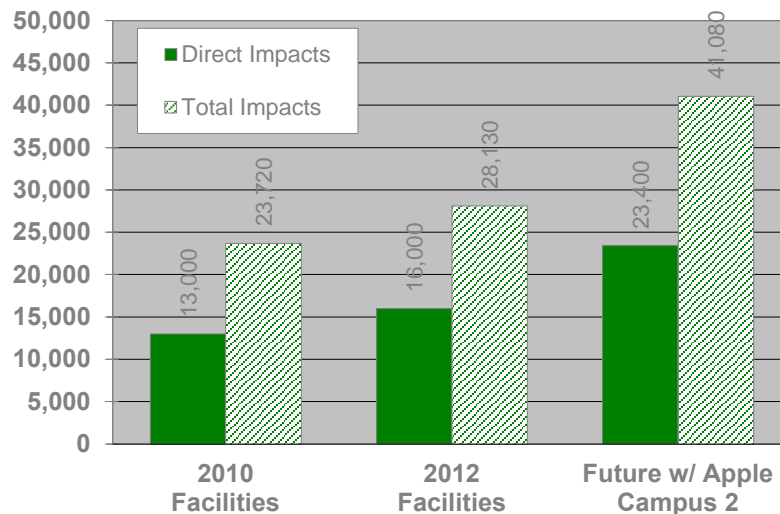
A. Recurring Annual Economic Impacts

1. Employment Impacts

- Apple is the second largest technology employer in Silicon Valley, with approximately 16,000 full-time employees based in the Cupertino area in 2012⁸. Approximately 12,100 additional jobs in Santa Clara County are generated indirectly by Apple's expenditures and the expenditures of Apple employees, bringing Apple's total County-wide impact to 28,100 jobs. For every one new Apple job, an additional 0.75 jobs are created within Santa Clara County as a result of these linkages.
- By the time Apple Campus 2 is completed in 2016, it is expected that 23,400 Apple employees will be based in Cupertino, which will bring the total number of County-wide jobs supported by Apple to 41,100.

Employment Impacts on Santa Clara County	Direct Employment	Total Employment
2012 Cupertino Area Facilities	16,000	28,100
Net New with Apple Campus 2	7,400	13,000
Total with Apple Campus 2	23,400	41,100

Employment Impacts on Santa Clara County



- Apple's Cupertino-based employees reside throughout the San Francisco Bay Area, with 64% living in communities within Santa Clara County. Key concentrations in the Bay

⁸ Approximately 15,000 employees are located at facilities within the City of Cupertino. The remaining 1,000 employees are located at facilities in nearby communities. The completion of Apple Campus 2 will enable Apple to house all of its employees within the City of Cupertino.

Area include the following cities: San Jose - 25%, San Francisco - 14%, Cupertino - 8%, Sunnyvale - 8%, and Santa Clara - 6.0%.

2. Payroll Impacts

- Apple’s Cupertino-based employees collectively earned \$2.0 billion⁹ in 2012, with approximately \$1.3 billion earned by employees who reside within Santa Clara County. The expenditures of these employees along with expenditures by Apple on goods and services generate an additional \$1.4 billion of employee compensation throughout Santa Clara County.
- With the completion of Apple Campus 2, Apple salaries in Cupertino are expected to approximate \$2.9 billion, with up to \$1.8 billion accruing to employees who reside within Santa Clara County. Including indirect and induced impacts, Apple will generate \$3.9 billion of employee compensation in Santa Clara County. Employee compensation translates directly into investment in local communities through expenditures on retail goods, housing, services, and entertainment.

Payroll and Employee Compensation Impacts (\$ Billions)¹⁰	Direct Salary All Cupertino-based Employees¹¹	Direct Salary Employees Residing in Santa Clara County¹²	Indirect and Induced Salary Impacts in Santa Clara County	Total Salary Impacts in Santa Clara County
2012 Cupertino Area Facilities	\$2.0	\$1.3	\$1.4	\$2.7
Net New with Apple Campus 2	\$0.9	\$0.5	\$0.7	\$1.2
Total with Apple Campus 2	\$2.9	\$1.8	\$2.1	\$3.9

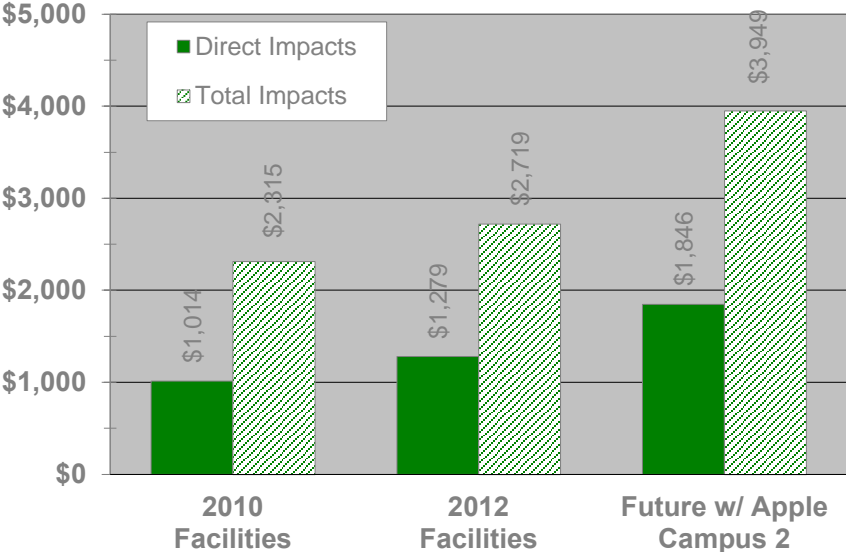
⁹ Actual salary data for Apple employees is confidential information. Given this consideration, the salary data for software engineers published by the Occupational Employment Survey for Santa Clara County has been used as a conservative proxy for purposes of this assignment.

¹⁰ Direct salaries are calculated in background Table 5, and indirect and induced salary impacts in Tables 6 to 10.

¹¹ Reflects the estimate of base salary income of all Cupertino-based employees, including employees who live outside of Santa Clara County.

¹² Reflects the estimate of base salary income of the employees who live in Santa Clara County. Approximately 35% of Apple employees live outside of Santa Clara County.

Payroll and Employee Compensation Impacts on Santa Clara County



3. Impacts on Local Businesses

Apple’s network of links to businesses throughout Silicon Valley is vast and dense. While the activity at the campus focuses on the research and design of new products as well as corporate management, Apple’s Cupertino-based operations purchase a tremendous volume of component parts that are used in its products. As a consequence, Apple has an unusually high multiplier effect on the regional economy.

- Apple’s importance to the regional economy is illustrated by the consideration that in FY 2012, the company made purchases of \$4.6 billion from over 700 businesses located within the three cities of Cupertino, Santa Clara and Sunnyvale. On an annualized basis, local purchases increased 36%, and the number of vendors increased over 26%, on average, in the past two years.
- Including the multiplier effect of its purchases on other local businesses down the supply chain, Apple is estimated to generate about \$5.9 billion of gross sales for businesses in the three cities. With the increased employment afforded by Apple Campus 2, local business sales revenues generated by Apple are expected to be \$8.6 billion.

Revenue Impacts on Cupertino, Santa Clara, and Sunnyvale Businesses (\$ Billions)	Apple Purchases	Total Impact of Apple Purchases
2012 Cupertino Facilities	\$4.6	\$5.9
Net New with Apple Campus 2	\$2.1	\$2.7
Total with Apple Campus 2	\$6.7	\$8.6

4. Impacts on Cupertino

- As Cupertino's largest single employer, Apple is a cornerstone of Cupertino's economy. Other major employers in the City are Cupertino Union School District and De Anza College.¹³ The 16,000 Apple employees in 2012 account for approximately 40% of Cupertino's job base. Indirect and induced impacts support an additional 420 jobs in the City, bringing Apple's total impact on Cupertino jobs to approximately 16,420.
- About 1,285 of the total 16,000 Apple employees lived in Cupertino in 2012, with annual base earnings in excess of \$159 million. With Apple Campus 2, the number of Apple employees residing in Cupertino is expected to total 1,906, with base earnings totaling over \$236 million.
- Apple and Apple employee purchases currently generate about \$103 million of gross sales for other Cupertino businesses. With Apple Campus 2, indirect/induced sales impacts in Cupertino are anticipated to total \$151 million per year.

Cupertino Economic Impacts	Direct Impacts	Total Impacts
2012 Cupertino Area Facilities		
Total Employment	16,000	16,420
Employees Residing in Cupertino	1,285	n/a
Salaries of Employees Residing in Cupertino (\$Ms)	\$159.4	n/a
Other Cupertino Businesses Sales (\$Ms)	n/a	\$102.6
Net New with Apple Campus 2		
Total Employment	7,400	7,600
Employees Residing in Cupertino	621	n/a
Salaries of Employees Residing in Cupertino	\$77.0	n/a
Other Cupertino Businesses Sales	n/a	\$48.5
Total with Apple Campus 2		
Total Employment	23,400	24,020
Employees Residing in Cupertino	1,906	n/a
Salaries of Employees Residing in Cupertino	\$236.4	n/a
Other Cupertino Businesses Sales	n/a	\$151.1

B. Recurring Annual Fiscal Impacts on the City of Cupertino

1. Annual Net City Fiscal Impacts

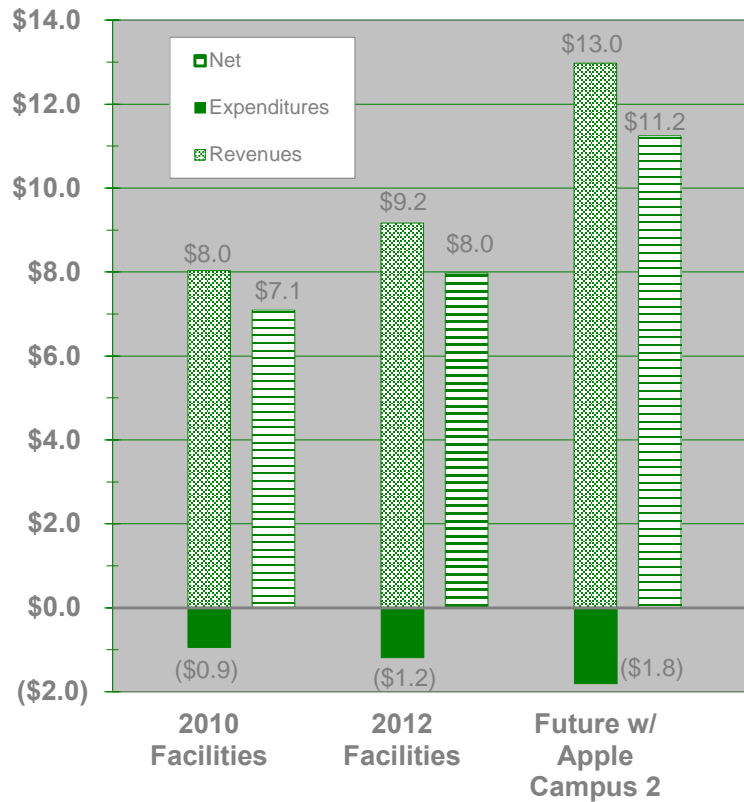
- Apple generates a tremendous net annual fiscal benefit to the City of Cupertino. In 2012, recurring tax revenues generated by Apple exceeded municipal service costs by approximately \$8 million.

¹³ City of Cupertino Demographics 2012 – Business and Employment Profile.

- With Apple Campus 2, the net fiscal impact of Apple is anticipated to be \$11.2 million, which represents an increase of \$3.2 million of annual net revenue to the City of Cupertino.

Cupertino Annual Fiscal Impacts (\$ Millions)	Revenues	Expenditures	Net Revenues
2012 Cupertino Facilities	\$9.2	\$1.2	\$8.0
Net New with Apple Campus 2	\$3.8	\$0.6	\$3.2
Total with Apple Campus 2	\$13.0	\$1.8	\$11.2

Estimated Annual Net Fiscal Impacts on the City of Cupertino from Apple (\$Ms)



2. Annual City Revenues

- Apple is a key source of revenue for the City of Cupertino. It will directly generate \$9.2 million of revenues to the City in 2012, representing 18% of the total annual General Fund budget of \$50.9 million.¹⁴ The largest single component of revenues generated by

¹⁴ FY 2012/13 Budget figure reflects the deduction of \$15.7 million of assumed non-recurring one-time revenue amounts from Apple Campus 2.

Apple is sales and use tax revenue at \$6.5 million,¹⁵ followed by property taxes at \$1.2 million, property tax in-lieu of MVLF at \$694,000, and utility user taxes at \$466,000. Apple's contribution of \$6.5 million in sales/use tax represents over 45% of all sales/use tax revenue received by Cupertino in FY 2011/12.

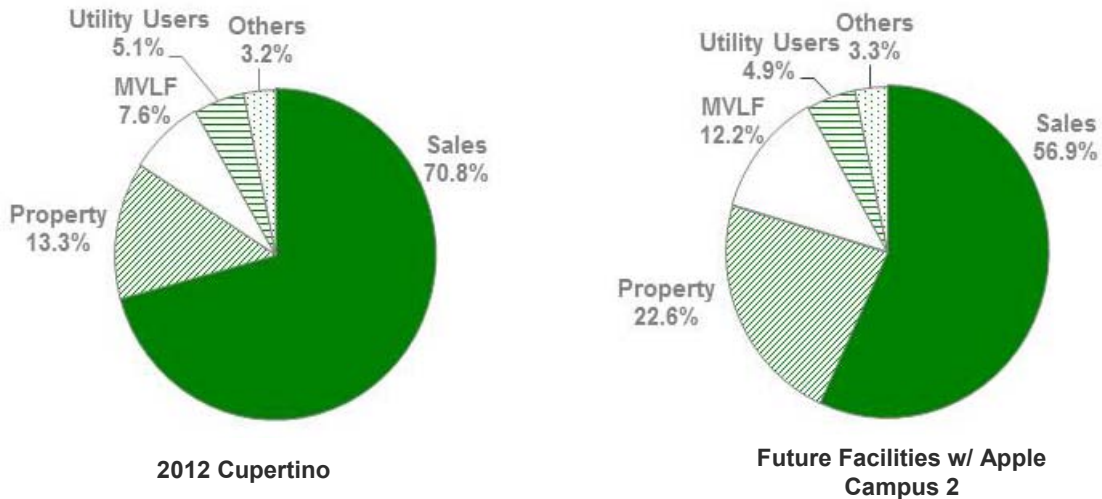
- With Apple Campus 2, annual City tax revenues directly generated by Apple are anticipated to approach \$13.0 million, resulting in \$3.8 million of additional City tax revenue. This growth is largely attributable to increased property taxes due to Apple's investment in Apple Campus 2, and the transfer of Apple own-use sales tax revenues to Cupertino.¹⁶

Cupertino Annual Fiscal Revenues (\$ Millions)	2012 Facilities	Net New with Apple Campus 2	Total with Apple Campus 2
Sales Taxes	\$6.48	\$0.90	\$7.38
Property Taxes	\$1.22	\$1.72	\$2.94
Prop Tax In-Lieu of MVLF	\$0.69	\$0.90	\$1.59
Utility User Taxes	\$0.47	\$0.17	\$0.64
Other Taxes	\$0.30	\$0.13	\$0.43
Total Annual Fiscal Revenues	\$9.2	\$3.8	\$13.0

¹⁵ Under the terms of a tax sharing agreement between the City of Cupertino and Apple, Apple receives approximately 50% of the City's annual share of sales tax revenues directly generated by the company. The City sales tax figures presented in this report are net of the payments to Apple. Although the agreement is scheduled to expire in 2014 the analysis assumes it is extended into the foreseeable future, in consideration of a development agreement between Apple and Cupertino.

¹⁶ As detailed in the description of *Use Tax Revenues from Apple's Own Use of Apple Products and from Out-of-State Vendor Purchases* in the Methodology and Assumptions section of this report, as part of the entitlement process for Apple Campus 2, Apple may elect (at its sole discretion) to designate Cupertino as the point of sale for Apple's purchase of its own products for its own use, and for purchases from out-of-state vendors. For purposes of this fiscal impact analysis, it has been assumed that Apple elects to designate Cupertino as the point of sale for these use tax revenues, in consideration of a development agreement between Apple and Cupertino. For this study, these use tax revenues are considered "old revenues" and not subject to sharing with Apple. Therefore, it is assumed that Cupertino will retain 100% of these use tax revenues.

Composition of Annual Revenues to the City of Cupertino Generated by Apple



- In addition to direct General Fund revenues, Apple indirectly generates revenues to the City of Cupertino through transient occupancy taxes paid by Apple visitors who stay in Cupertino hotels and dine in local restaurants,¹⁷ sales taxes from the retail expenditures of Apple employees living in Cupertino, and Apple employee lunchtime expenditures. These indirect revenues are estimated to total \$1.5 million in 2012 and to increase to \$2.2 million per year with the completion of Apple Campus 2.

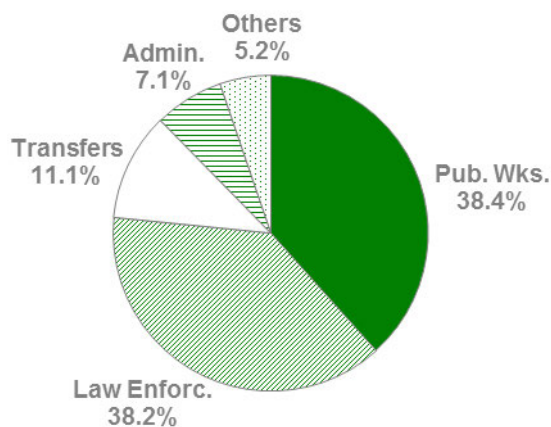
3. Annual City Service Costs

- Apple generated approximately \$1.2 million of municipal service costs to the City of Cupertino in 2012. The largest single department expense was \$454,000 for Public Works Department costs to maintain streets and other public facilities. The second largest expense was incurred for law enforcement, in the amount of \$452,000, based on service requirements specified by the Santa Clara County Sheriff's Office. General Fund transfers to other City service funds were about \$131,000.
- With Apple Campus 2, direct annual City service costs are anticipated to increase by \$546,000, resulting in total annual City service costs approaching \$1.8 million.

¹⁷ The transient occupancy tax revenues measured in this evaluation reflect only travel by Apple employees. Given the extensive network of other companies that travel to Cupertino to conduct business with Apple, there is a significant amount of additional room tax revenue indirectly generated by Apple that has not been included in this analysis. Therefore, the impact estimates are conservative and understate the actual, full impact of Apple's operations.

Cupertino Annual Fiscal Expenditures (\$ Millions)	2012 Facilities	Net New with Apple Campus 2	Total with Apple Campus 2
Public Works	\$0.45	\$0.21	\$0.66
Law Enforcement	\$0.45	\$0.21	\$0.66
Transfers Out	\$0.13	\$0.06	\$0.19
Administrative Services	\$0.08	\$0.04	\$0.12
Other Service Costs	\$0.06	\$0.03	\$0.09
Total Annual Fiscal Expenditures ¹⁸	\$1.2	\$0.6	\$1.8

Composition of Annual City Service Cost Generated by Apple



C. Construction Period Impacts

1. Employment and Payroll Impacts

The construction of Apple Campus 2 will generate a tremendous number of high-quality, high-wage construction jobs. Approximately 9,200 on-going full-time jobs will be created over the 3-year construction period.¹⁹ Including indirect and induced impacts, the construction of Apple Campus 2 will generate approximately 12,600 jobs in the County for a 3-year period. Based on the average salary for construction workers in Santa Clara County, construction payroll will total \$1.7 billion during the 3-year period. Including indirect and induced jobs, construction of Apple Campus 2 will support \$2.2 billion of payroll expenditures throughout the County.

2. City Construction Sales Tax / Use Tax Revenues

On the Apple Campus 2 project qualified construction contractors are those who will identify the City of Cupertino as their “point of sale”, so that the City can collect sales taxes resulting from purchases related to these contractors’ work. It is estimated that their materials costs

¹⁸ Expense estimates have been rounded up to the nearest hundred thousand dollars.

¹⁹ Per Apple Inc.

will generate approximately \$13.9 million of sales/use tax to the City of Cupertino. These revenues would be directly available to the City's General Fund. This revenue source is contingent on Apple and Cupertino negotiating a mutually acceptable development agreement, under which Apple would direct its contractors to designate Cupertino as the point of sale for construction materials.²⁰

Apple Campus 2 Construction Impacts	Direct Impacts	Total County-wide Impacts
On-going Jobs for 3 years	9,200	12,600
Total Employee Payroll	\$1.7 billion	\$2.2 billion
City Sales/Use Tax Revenues	\$13.9 million	

3. Permits and Fees to Cupertino and Other Public Agencies

It is estimated that the construction of Apple Campus 2 will generate \$24.7 million of building permit and fee revenues, of which the City of Cupertino will receive \$24.2 million.

As detailed on Table 16, \$7.2 million will be used to fund City staff costs associated with processing building permits, \$6.3 million will be used to fund Apple Campus 2's share of the demand for new public facilities generated by new development,²¹ and \$10.6 million (construction taxes) are unrestricted funds, available for general municipal services.

Apple Campus 2 Construction Government Fees (\$ Millions)	City of Cupertino	Other Public Agencies	Total
Construction Tax	\$10.6		\$10.6
Other Government Fees	\$13.6	\$0.5	\$14.1
Total Taxes and Fees	\$24.2	\$0.5	\$24.7

²⁰ As detailed in the Methodology and Assumptions section of this report, as part of the entitlement process for Apple Campus 2, Apple may elect (at its sole discretion) to designate Cupertino as the point of sale for Apple's purchase of construction related materials. For purposes of this fiscal impact analysis, it has been assumed that Apple elects to designate Cupertino as the point of sale for these use tax revenues. For this study, these use tax revenues would be considered "old revenues" and not subject to sharing with Apple. Therefore, it is assumed that Cupertino will retain 100% of these use tax revenues.

²¹ The \$6.3 million includes payment of a \$2.5 million Below Market Rate (BMR) affordable housing fee. Apple will be making an additional voluntary \$2.5 million contribution to the City's BMR program as part of its investment in public improvements and benefits.

D. Local Property Tax Revenues to Service Districts

State law determines the allocation of property tax revenues to taxing agencies. The assessed value of properties occupied by Apple in Cupertino totaled \$2.1 billion in 2012, which generated \$24.8 million of property taxes allocated to local governmental agencies. The leading recipients of annual property tax revenues generated by Apple consist of the following:

- School and college districts (approx. 56% to 64%);
- Fire protection district (approx. 15% to 17%);
- Santa Clara County and County retirement fund (approx. 17% to 19%);
- City of Cupertino (approx. 6%)

The remaining local public agencies that receive a portion of property tax revenues include the Education Revenue Augmentation Fund, the Santa Clara County Library, water districts, the Mid-peninsula Regional Open Space District and the Bay Area Air Quality Management District.

For purposes of this analysis, it is assumed that the secured improvements of Apple Campus 2 will be assessed at \$3 billion and that personal property will be valued at \$0.5 billion, resulting in a total assessed property value for Apple Campus 2 of \$3.5 billion. The combined valuation of currently occupied space and Apple Campus 2 is expected to total \$4.8 billion, or \$2.7 billion more than the value of properties currently occupied by Apple.

The additional assessed valuation will yield an additional \$31.7 million in property tax revenue every year to be funded by Apple and distributed to the aforementioned top public agencies, as follows:

- School and college districts: \$18 to \$20 million;
- Fire protection district: \$5 million;
- Santa Clara County: \$5 to \$6 million;
- City of Cupertino: \$1.7 million

The other local districts, such as Santa County Library and water districts will also receive their proportionate share of additional property tax revenues from Apple Campus 2.

Annual Property Taxes Generated by Apple Facilities in Cupertino (\$ Millions)	Property Taxes to All Local Agencies	City of Cupertino Property Tax	Net Taxes to Other Jurisdictions
2012 Cupertino Facilities	\$24.8	\$1.2	\$23.6
Net New with Apple Campus 2	\$31.7	\$1.7	\$30.0
Total with Apple Campus 2	\$56.5	\$2.9	\$53.6

E. Sales Tax Revenues to the Santa Clara Valley Transportation Authority (VTA)

Apples' Cupertino facilities generated \$1.3 billion of taxable sales in 2012, which yielded over \$14 million of annual sales tax revenue to the Santa Clara VTA. The VTA tax revenue results from a series of voter-approved initiatives that levy a 1.125% tax on taxable sales. With the

completion of Apple Campus 2, it is estimated that Apple will annually generate \$15.4 million of tax revenue to the VTA.

The purchase of materials for the construction of Apple Campus 2 will yield approximately \$15.6 million of sales tax revenue to the VTA, assuming Apple and Cupertino negotiate a mutually acceptable development agreement.

Sales Tax to VTA (\$ Millions)	Annual Recurring Revenue	One-Time Construction Revenue
2012 Cupertino Facilities	\$14.3	
Net New with Apple Campus 2	\$1.1	
Total with Apple Campus 2	\$ 15.4	\$15.6

F. Economic Impacts on the Cities of Santa Clara and Sunnyvale

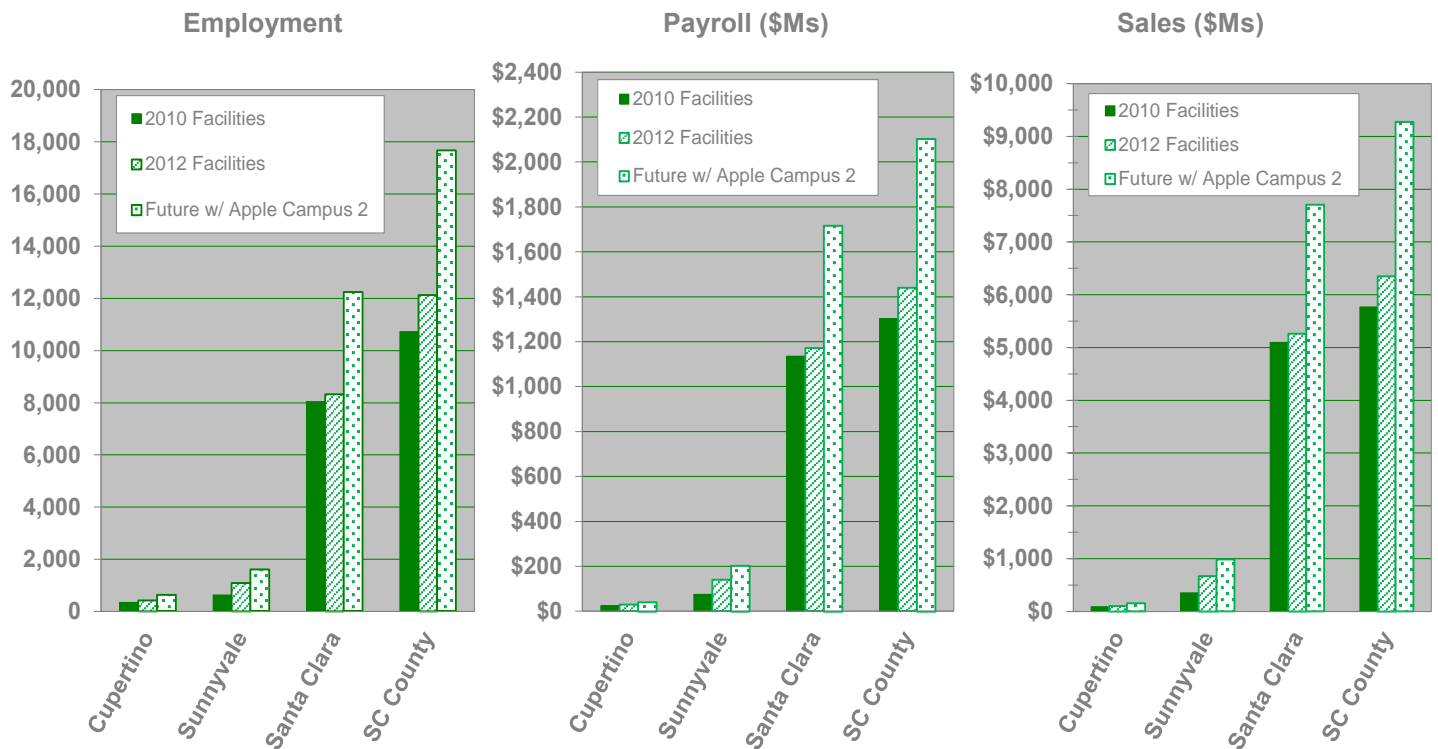
- Apple benefits the cities of Santa Clara and Sunnyvale in several ways: 1) purchasing goods and services from Santa Clara and Sunnyvale businesses; 2) providing high-quality jobs for Santa Clara and Sunnyvale residents who then spend their incomes in these cities; and 3) generating additional sales, employment, and payroll for Santa Clara and Sunnyvale businesses as indirect and induced impacts ripple throughout the economy.
- As shown below, approximately 816 Apple employees lived in Santa Clara in 2012 and their combined salaries exceeded \$100 million. Apple vendor purchases combined with employee purchases generated approximately \$5.3 billion of sales revenue to Santa Clara businesses. This is a phenomenal indirect/induced impact for a single business to have on sales revenues of businesses in a neighboring community. The indirect/induced sales supported approximately 8,300 jobs in the City of Santa Clara and generated \$1.2 billion of employee compensation that was then spent on housing and retail purchases in the City of Santa Clara and beyond.
- With the completion of Apple Campus 2, the economic benefits to Santa Clara are anticipated to increase. As shown below, it is estimated that 1,410 Apple employees with \$175 million of income will reside in Santa Clara. Santa Clara businesses will benefit from up to \$7.7 billion of sales generated indirectly by Apple, which will support approximately 12,240 jobs with employee compensation totaling approximately \$1.7 billion.
- The economic benefits generated by Apple to Sunnyvale are also significant. Approximately 1,296 Apple employees lived in Sunnyvale in 2012 and their combined salaries exceeded \$160 million. Apple vendor purchases combined with employee purchases generated approximately \$667 million of sales revenue to Sunnyvale businesses. The indirect/induced sales supported approximately 1,080 jobs in

Sunnyvale and generated \$140 million of employee compensation that was then spent on housing and retail purchases in the City of Sunnyvale and beyond.

- With the completion of Apple Campus 2, the economic benefits to Sunnyvale are similarly anticipated to increase. As shown below, it is estimated that 1,978 Apple employees with \$245 million of income will reside in Sunnyvale. Sunnyvale businesses will benefit from about \$1 billion of sales generated indirectly by Apple, which will support approximately 1,590 jobs with employee compensation totaling approximately \$205 million.

Santa Clara and Sunnyvale Economic Benefits	City of Santa Clara	City of Sunnyvale
2012 Facilities		
Apple Employees Residing in City	816	1,296
Additional Jobs Generated by Apple	8,330	1,080
Annual Income of Apple Employees	\$101 million	\$161 million
Supported Business Sales	\$5.3 billion	\$667 million
Employee Compensation from Additional Jobs	\$1.2 billion	\$140 million
Total with Apple Campus 2		
Apple Employees Residing in City	1,410	1,978
New Jobs Generated by Apple	12,240	1,590
Annual Income of Apple Employees	\$175 million	\$245 million
Supported Business Sales	\$7.7 billion	\$979 million
Employee Compensation from New Jobs	\$1.7 billion	\$205 million

Indirect Economic Benefits Generated by Apple



- Given the tremendous revenue, employment and payroll impacts that Apple generates to Santa Clara and Sunnyvale, the company also indirectly generates significant tax dollars to both cities. It is very difficult to track these tax revenues because of their indirect nature.²² For purposes of this study, fiscal revenues to the surrounding cities have been evaluated on the very conservative basis of retail purchases made by Apple employees living in a particular city. It is estimated that Apple employees residing in Santa Clara and Sunnyvale generated about \$213,000 and \$276,000 of sales tax revenue, respectively, in 2012. With the completion of Apple Campus 2, annual sales tax revenues to Santa Clara are estimated to be \$368,000, and to Sunnyvale \$421,000.

²² The purchase of materials does not, for example, typically generate sales or use tax.

IV. METHODOLOGY AND ASSUMPTIONS

The economic impact analysis includes an assessment of direct, indirect, and induced economic impacts from Apple's ongoing operations and the construction of Apple Campus 2 in Cupertino. We evaluated impacts on the cities of Cupertino, Santa Clara, Sunnyvale, and on the County of Santa Clara. Direct impacts include the number of Apple employees and the salaries earned by Apple employees. Indirect and induced impacts (multiplier effects) are generated by Apple from Apple's expenditures on materials, component parts, and services, as well as by employee expenditures. We evaluated indirect/induced jobs, employee compensation, and output using the Minnesota IMPLAN Group's IMPLAN model (see Section V of the report). Given the confidential nature of employee salary information, the Apple payroll estimates contained in this report are conservative in that they reflect industry average salaries for software engineer employees in Santa Clara County, which are significantly less than the actual average salary of Apple employees.

The fiscal impact analysis focuses on the annual recurring fiscal revenues that Apple's 2012 facilities and proposed Apple Campus 2 generate to the City of Cupertino's General Fund. We also evaluated sales and use tax revenues from the construction of Apple Campus 2. Given the high impact that Apple has on the surrounding communities of Santa Clara and Sunnyvale, we evaluated the amount of annual sales tax revenues generated by Apple employees who reside within each of the respective cities as well.

The fiscal impact analysis is an estimate of the annual recurring fiscal revenues and expenses that Apple generates to the City of Cupertino. Revenue and expenditure estimates and future projections with Apple Campus 2 are static estimates for Apple's current and future facilities. The estimates are in 2012 dollars.

General Fund revenues and expenditures are the focus of the fiscal analysis because this is the major source of discretionary spending for key city services, including public works, law enforcement, and administrative services. The analysis evaluates the major revenue and cost elements, including sales and use taxes generated by Apple's sales and purchases, property taxes, utility users taxes, property taxes in-lieu of motor vehicle fees, and public works and law enforcement costs.

Revenues are based primarily on empirical sales tax, property tax, and other tax data provided by Apple and confirmed by the City of Cupertino. Projections extrapolate this empirical information forward from 2012 based on growth that will result from the construction of Apple Campus 2. Relatively minor revenue sources, such as franchise fees, are based on revenue factors derived from the City of Cupertino's FY 2012/13 budget. Revenue factors are projected on the basis of the resident equivalents expected at the new campus.

Law enforcement services are provided to Cupertino via a contract with the Santa Clara County Sheriff's Office. We estimated law enforcement costs generated by Apple based on service requirements for Apple Campus 2 provided by the Sheriff's Office, and prorated based on employment. We estimated other expenditures generated by the need to provide City services

to Apple based on average cost factors for resident equivalents derived from Cupertino's FY 2012/13 budget.

To estimate the Project's fiscal impacts, KMA has:

- Reviewed the City of Cupertino's 2011/12 Adopted Budget and 2012/13 Proposed Budget and past and existing revenue and cost relationships;
- Conferred with the City's Finance Director;
- Established Apple Campus 2 service costs with the Santa Clara County Sheriff's Office;
- Used taxable sales, assessed property value, utility user tax, transient occupancy tax, and construction cost data provided by Apple; and
- Reviewed the terms of the sales tax sharing agreement between the City of Cupertino and Apple.

The detailed analysis is presented in Tables 1 through 18 and appendix tables A-1 through A-8 at the end of this report.

The key assumptions of the analyses as well as the methods used to calculate the revenue, cost, and employment impacts are as follows.

- **Apple Campus 2 Phase 1 Development Program** – The analysis reflects Apple's proposal for Apple Campus 2:

Building Area	
<i>Main Building</i>	2,820,000 sf
<i>Auditorium</i>	120,000 sf
<i>Fitness Center</i>	100,000 sf
<i>Research Facilities</i>	300,000 sf
<i>Central Plant</i>	80,000 sf
Total GBA	3,420,000 sf

In addition to the program outlined above, Apple plans a Phase 2 project at some time in the future. Given the uncertainty regarding the timing of Phase 2, the impacts of Phase 2 have not been evaluated as part of this analysis.

- **Direct On-going Employment** – For purposes of this analysis, the base level of 2012 Cupertino employment is assumed to be 16,000, which includes contract employees in the City. While employment has actually increased at an average annual rate of 18% over the past five years, for this analysis, we assumed a conservative 10% annual growth rate for employment. With employment growing at 10% per year, total Cupertino-based Apple employment will be 23,400 by the completion of Apple Campus 2 in 2016. (Supporting Tables 1 and 4).

- **Geographic Distribution of Employee Place of Residence** – Apple provided the place of residence for existing employees as of the end of 2010 as well as the place of residence of employees hired in 2011. The analysis of the base 2012 Cupertino facilities reflects the 2010 place of residence distribution and the analysis of future Cupertino facilities with Apple Campus 2 reflects the assumption that the distribution of place of residence of future new employees is consistent with the distribution of employees hired in 2011. (Supporting Tables 3 and 4).

- **Employment Distribution between Current Cupertino Facilities and Future Cupertino Facilities with Apple Campus 2** – Apple’s facilities throughout the Cupertino area in 2012 accommodated approximately 16,000 employees. Of that total, approximately 15,000 were located at facilities within the City of Cupertino and the remaining 1,000 were located at facilities within nearby communities. Apple Campus 2 will accommodate an additional 13,000 employees. This analysis assumes that by 2016, at least 7,400 employees will be working at Apple Campus 2. Apple Campus 2 is expected to reach full capacity within a few years following completion. Apple Campus 2 will enable Apple to locate all of its employees at facilities within the City of Cupertino.

- **Direct Construction Employment** – Apple estimates the construction of Apple Campus 2 will support approximately 9,200 direct full-time construction jobs over the 3-year construction period. KMA estimated construction period payroll from these temporary construction jobs using average construction industry wages for Santa Clara County from the Occupational Employment Statistics Survey.

- **Construction Use Tax Revenues** – KMA estimated construction use tax revenues based on the contractor’s estimate of material costs and “qualified subcontracts” costs. This revenue source is contingent on Apple and Cupertino negotiating a mutually acceptable development agreement, under which Apple would direct its contractors to designate Cupertino as the point of sale for construction materials.

- **Indirect Impacts** – Indirect impacts result from company purchases of goods and services from other local industries, and the local purchases of these industries in turn, until the local supply chain is exhausted. Apple Inc. provided empirical data for purchases from businesses in Cupertino, Santa Clara, and Sunnyvale and these were run through the IMPLAN model to estimate associated impacts through each city’s supply chain (see Section V). IMPLAN impacts from Apple purchases are reported for output, employment, and employee compensation. Output impacts include the base empirical data from Apple and estimated “multiplier effects”. (Supporting Tables 6 to 10).

- **Induced Impacts** – Induced impacts are produced by the spending of employee salaries. We estimated induced output, employment, and employee compensation impacts by applying the IMPLAN model (see Section V) to the household income of Apple employees who live in Cupertino, Santa Clara, Sunnyvale, and Santa Clara County. (Supporting Tables 6 to 10).

- **Salaries** – Apple employee salaries are confidential. In order to maintain confidentiality, this analysis has conservatively assumed an average base salary reflective of the average computer software engineer salary throughout Santa Clara County, which was \$121,000 annually in 2010 and \$124,000 annually in 2012. The actual average salary of Apple employees is significantly higher. (Supporting Tables 2 and 5).
- **Resident Equivalents** – The estimate of several City revenue and service cost impacts uses a modified per capita measure known as “resident equivalents.” This approach combines residents and employees to form a single service population to drive cost projection. The resident equivalents approach weights an employee as 0.33 of a resident, such that approximately three employees are viewed as having the same impact as one resident. (Supporting Tables 12 to 15a).
- **Assessed Property Values** – The assessed value of properties owned and leased by Apple in 2012 reflects data provided by Apple. As shown on Table A-3, the total assessed value of Apple-occupied properties approximated \$2.1 billion. The future assessed value of Apple Campus 2 is based on Apple’s estimate of the market value of the property which is \$3.0 billion. Consistent with the magnitude of assessed personal property at Apple’s current facilities, we have estimated that the personal property at Apple Campus 2 will approximate \$500 million.

Apple currently leases or owns property that is not within the boundaries of either the Infinite Loop campus or Apple Campus 2. It is not certain whether Apple will continue to occupy these buildings after the construction of Apple Campus 2. However, it has been assumed that if Apple does not continue to occupy all existing facilities, vacated space will be released to other tenants without any change in assessed property values. It should be noted that employees will indirectly generate property taxes through home-ownership. These indirect and induced property tax revenues have not been included in this analysis. (Supporting Tables 14a and 14b, Appendix A-3).

- **City of Cupertino Property Tax Revenues** – The City of Cupertino receives approximately 5.65% of the base 1% property tax levy for most of the properties owned and leased by Apple. It receives approximately 6.34% of the 1% property tax levy on a few Apple Campus 2 parcels. We estimated property tax revenues based on the application of the City’s share to the property value. (Supporting Table 14b).
- **City of Cupertino Sales Tax Revenues** – Apple directly generates sales tax revenues to the City through the sale of merchandise and employee cafeteria sales. Under the terms of a sales tax sharing agreement with Apple, the City rebates approximately 50% of the sales tax revenue generated by Apple. The majority of these revenues are generated by online sales of Apple’s products. The continuation of this revenue source may be contingent on Apple and Cupertino negotiating a mutually acceptable development agreement. (Supporting Tables 14, 14a and 14c).

- **City of Cupertino Use Tax Revenues from Apple's Own Use of Apple Products and from Out-of-State Vendor Purchases** – Apple generates use tax revenues from the use of its own products and from purchases from out-of-state vendors. The local portion of these use taxes approximated \$548,000 in 2012 and will increase with employment and the completion of Apple Campus 2. The revenues currently accrue to the California city in which Apple's warehouse is located. As part of the entitlement process for Apple Campus 2, Apple is considering (at its sole discretion) to designate Cupertino as the point of sale for these use tax revenues. It is Apple's interpretation that the use tax revenues are considered "old revenue" under the provisions of the Sales Tax Sharing Agreement, and are thus not subject to sharing with Apple. For purposes of this draft analysis, it has been assumed that Apple elects to designate Cupertino as the point of sale and that 100% of these current and future specific use tax revenues are retained by the City. This revenue source is contingent on Apple and Cupertino negotiating a mutually acceptable development agreement, under which Apple would agree to designate Cupertino as the point of sale for these use tax revenues. (Supporting Tables 14, 14a and 14c).

- **City of Cupertino Indirect Sales Tax Revenues** – Indirectly, employees purchase a portion of their lunchtime meals from Cupertino establishments, and employees who also live in Cupertino generate significant retail sales. Apple hotel guests also generate City sales tax revenues. (Supporting Tables 14, 14a, and 14d).

- **Sales Tax Revenues to the Cities of Santa Clara and Sunnyvale** – For purposes of this analysis, we estimated sales tax revenue impacts on the cities of Santa Clara and Sunnyvale based solely on the retail expenditures of Apple employees who live within each city. Place of residence of future employees is based on the actual distribution of residence of Apple employees and expenditure patterns and capture rates are based on employee incomes, City import/leakage factors, and regional spending patterns. (Supporting Tables 1 to 5 and A-4 to A-8).

While Apple purchases large amounts of component parts from vendors in these cities, the purchase of component parts that eventually become part of taxable merchandise are not directly subject to sales/use tax. However, the gross revenues, jobs, and employee compensation indirectly generated by Apple in these cities will indirectly generate revenues, such as business license taxes, property taxes, and retail expenditures. The tax impacts of these indirect and induced economic impacts have not been evaluated in this analysis. Therefore, the estimate of sales/use tax revenues presented in this report likely represents only a small portion of the tax revenues indirectly generated by Apple to Santa Clara and Sunnyvale.

- **City of Cupertino Utility Users Tax** – Apple paid approximately \$466,000 in utility user taxes to the City in 2012, which approximates \$29.15 per employee. We estimated future utility user taxes based on the assumption that Apple Campus 2 will incorporate state of the art energy efficiency design and equipment. Given this, it is expected that the average energy consumption per employee will decline. For purposes of this analysis, it is assumed that the average consumption for employees housed at Apple Campus 2 will be 20% less than the average consumption for employees at current Cupertino facilities. (Supporting Tables 14 and 14a).

- **City of Cupertino Property Tax In-Lieu of Vehicle License Fees** – We estimated Property Tax In-Lieu of Vehicle License Fees in accordance with SB 1096, based on data from the California State Controller’s Office and current and projected assessed property values. (Supporting Tables 14 and 14a).
- **City of Cupertino Franchise Fees, Fines/Forfeitures and Charges for Service** – We estimated these General Fund revenue sources based on an extrapolation of the 2012 per resident equivalent amounts generated by the City’s residents and employment base. Combined, these funds receive approximately \$51.44 of revenue per resident equivalent. (Supporting Tables 14 and 14a).
- **City of Cupertino Business License Taxes** – Business taxes are levied at a rate of \$119 per year per business plus a factor of \$0.004 per square foot of usable building area. (Supporting Tables 14 and 14a).
- **City of Cupertino Property Transfer Taxes** – Apple intends to retain ownership of its properties in Cupertino. Therefore, it is not envisioned that Apple Campus 2 will generate any transfers of property, other than those already assessed in assembling the Campus parcels.
- **City of Cupertino Transient Occupancy Tax (TOT)** – We estimated transient occupancy tax revenues based on the number of hotel room nights generated by Apple employees visiting the headquarters in 2012. Based on Apple data, employees generate over 56,000 hotel room nights at an average rate of \$160 per night. The TOT rate in Cupertino is 12%, resulting in annual revenues of \$1.1 million. We applied the hotel room rate and usage data to future employment projections to yield estimates of future TOT revenues with Apple Campus 2. (Supporting Tables 14 and 14a).
- **City of Cupertino Law Enforcement Costs** – The City of Cupertino contracts with Santa Clara County for law enforcement services. The Santa Clara County Sheriff’s Office estimates that one deputy will be needed to provide law enforcement services to Apple’s Campus 2. The average cost of a deputy is \$282,000 per year.²³ We estimated law enforcement costs for Apple’s 2012 facilities using a per employee factor based on the information provided by the Sheriff for Apple Campus 2. (Supporting Tables 15 and 15a).
- **City of Cupertino Other Service Costs** – We estimated Cupertino service costs for City government, administration, public works, and on-going transfers to service funds on a per resident equivalent basis, using expenditures in the FY 2012/13 Budget. We assumed that Apple employees will have a minimal impact on recreation services. The Community Development Department does not generate costs, as it is operated on a cost-recovery basis. (Supporting Tables 15 and 15a).

²³ Per SCC Sheriff’s Office April 2012 memo to Gary Baum.

- **Fire Protection Costs** – Fire protection services are provided by the Santa Clara Fire Department and funded through property tax revenue received directly by the Department.
- **Potential Public Benefit Maintenance Costs** – Costs related to the maintenance of any public benefits to be provided by the project, or potential mitigation measures, have not been provided, and are not included in this report. The report focuses on on-site costs.
- **Apple Investment in Public Improvements and Community Benefits** – The cost estimates for public improvements to be funded by Apple as part of constructing Apple Campus 2 have been provided by Apple.
- **Inflation of Revenue and Expenses** – The analysis is a static analysis of existing conditions and conditions upon build-out of the Project. Revenues and expenses are presented in 2012 dollars.
- **Continuity of Legal and Institutional Constraints** – The cost and revenue experience of the City of Cupertino is based on the FY 2012/13 Budget. The projections assume that revenue sources and costs will remain constant following the completion of Apple Campus 2.
- **Rounding of Decimal Places** – In some cases the calculated summations presented in the analytical tables do not precisely match the summations presented in the body of the report. These differences are due to the rounding of decimal places.

V. INDIRECT AND INDUCED IMPACTS AND THE IMPLAN MODEL

In addition to the employment and payroll generated directly by Apple's business operations, the company will also create indirect and induced jobs and employee compensation. Indirect impacts result from company purchases of goods and services from other local industries, and the local purchases of these industries in turn. Induced impacts are produced by the consumer spending of Apple employees. The widely used economic analysis tool, IMPLAN (IMpact Analysis for PLANning), was used to quantify these impacts.

A. IMPLAN Model Description

The IMPLAN model is an economic analysis software package commercially available through the Minnesota IMPLAN Group. IMPLAN was originally developed by the U.S. Forest Service, the Federal Emergency Management Agency, and the U.S. Department of the Interior Bureau of Land Management. It has been in use since 1979 and refined over time. IMPLAN has become a widely-used tool for analyzing economic impacts from a broad range of applications from major construction projects to natural resource programs.

IMPLAN is based on an input-output accounting of commodity flows within an economy from producers to intermediate and final consumers. The model establishes a matrix of supply chain relationships between industries and also between households and the producers of household goods and services. Assumptions about the portion of inputs or supplies for a given industry likely to be met by local suppliers, and the portion supplied from outside the region or study area, are derived internally within the model using data on the industrial structure of the region.

The output or result of the model is driven by tracking how changes in purchases for final use (final demand) filter through the supply chain. Industries that produce goods and services for final demand or consumption must purchase inputs from other producers, which in turn, purchase goods and services. The model tracks these relationships through the economy to the point where leakages from the region stop the cycle. This allows the user to identify how a change in demand for one industry will affect over 400 other industry sectors within a given geographic region. The projected response of an economy to a change in final demand can be viewed in terms of economic output, employment, or employee compensation.

Data sets are available by state, by county and by zip code, so the model can be tailored to the specific economic conditions of the region being analyzed. This analysis utilizes the zip code data set for the cities of Cupertino, Sunnyvale, and Santa Clara. A significant portion of impacts will be located within the three cities or nearby. In addition, the impacts will extend throughout Santa Clara County based on where jobs are located that serve Apple, or its employees, either directly, indirectly, or in an induced manner. In fact, Apple is part of the larger regional economy and impacts will likewise extend throughout the region, particularly into San Mateo, San Francisco, and Alameda Counties. However, consistent with a conservative approach, only impacts occurring within the three cities and Santa Clara County have been included.

B. Application of the IMPLAN Model to Estimate Job and Employee Compensation Impacts

Specific information was available for Cupertino, Sunnyvale, Santa Clara, and Santa Clara County that allowed KMA to refine the use of the IMPLAN model. Rather than relying on general industry sector data to estimate the local indirect impacts of the company, we were able to input Apple's purchases from suppliers as a direct impact in each of the three cities, so that subsequent impacts down the supply chain could be more accurately estimated. Similarly, KMA ran induced impacts directly from the number of employees living in each city, and their estimated payroll, providing an estimate that more closely reflects the actual household distribution of Apple employees.

Impacts for the three cities were estimated by aggregating their zip codes, and impacts were also run from city information to determine the effects of the company county-wide. Impacts in the three cities are greater than the sum of impacts in each individual city. This is because the aggregated three-city geographic area includes purchases from businesses and individuals located in each of the cities in the other two cities.

The jobs counted in the IMPLAN model cover all jobs, full and part time, similar to the U.S. Census and reporting agencies. Employee compensation includes all employer costs for employees, including non-wage benefits such as health insurance.

VI. LIMITING CONDITIONS

1. The analysis contained in this document is based, in part, on data provided by Apple Inc., the City of Cupertino, and secondary sources such as state and local governments, planning agencies, and real estate brokers. While Keyser Marston Associates, Inc. (KMA) believes that these sources are reliable, we cannot guarantee their accuracy.
2. The analysis contained in this document does not include an assessment of the impacts generated by Hewlett-Packard's use of the Apple Campus 2 property or measure marginal impacts of Apple Campus 2 relative to the impacts generated by the prior use of the property. The analysis contained in this report addresses only the impacts generated by Apple.
3. A projection of economic impacts is inherently based on judgment. The projections contained herein are based on the best information available at the time that this document was prepared. However, actual impacts may vary.
4. The analysis assumes that the economy will continue to grow at a moderate rate.
5. Any estimates of revenue or cost projections are based on the best project-specific and fiscal data available at this time as well as experience with comparable projects. They are not intended to be projections of actual future performance of any specific project. Any changes to costs, development program, or project performance may render the conclusions contained herein invalid.
6. Revenue estimates are based on the assumption that sufficient market support exists for the proposed uses and that the project will achieve industry standard productivity levels.
7. KMA assumes that all applicable laws and governmental regulations in place as of the date of this document will remain unchanged throughout the projection period of our analysis. In the event that this does not hold true, for example, if any tax rates change, the analysis would need to be revised.
8. KMA is not liable for the accuracy of any abstracts, excerpts or summaries of this report that are not prepared by KMA.

Table 1
Summary Base and Projected Cupertino-based Apple Employment
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

Employment by Place of Residence ¹	2010 Cupertino Facilities	2012 Cupertino Facilities	Future Cupertino Facilities w/ Apple Campus 2
Cupertino	1,044	1,285	1,906
Sunnyvale	1,053	1,296	1,978
Santa Clara	663	816	1,410
Subtotal / 3 Cities	2,761	3,398	5,294
Total Cupertino-Based Apple Employees	13,000	16,000	23,400

Net New Employment by Place of Residence	2010 Cupertino Facilities	2012 Cupertino Facilities	Future Cupertino Facilities w/ Apple Campus 2
Cupertino	0	0	621
Sunnyvale	0	0	682
Santa Clara	0	0	593
Subtotal / 3 Cities	0	0	1,897
Total Cupertino-Based Apple Employees	0	0	7,400

¹ Employment is distributed by City in Table 4. Totals include contract employees. The 16,000 Cupertino-based employees in 2012 include 15,000 employees in Cupertino, and 1,000 that are temporarily working in neighboring communities, due to the lack of space in Cupertino. It is anticipated that these 1,000 employees will move back to the City with the completion of Campus 2.

Table 2
Summary Base and Projected Cupertino-based Apple Employee Salaries
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

Total Salaries by Employee Place of Residence (\$Ms) ¹	2010 Cupertino Facilities	2012 Cupertino Facilities	Future Cupertino Facilities w/ Apple Campus 2
Cupertino	\$126.3	\$159.4	\$236.4
Sunnyvale	\$127.4	\$160.7	\$245.3
Santa Clara	\$80.3	\$101.2	\$174.8
Subtotal / 3 Cities	\$334.0	\$421.3	\$656.5
Total Cupertino-Based Apple Salaries	\$1,573.0	\$1,984.0	\$2,901.6

Net New Salaries by Employee Place of Residence (\$Ms)	2010 Cupertino Facilities	2012 Cupertino Facilities	Future Cupertino Facilities w/ Apple Campus 2
Cupertino	\$0.0	\$0.0	\$77.0
Sunnyvale	\$0.0	\$0.0	\$84.6
Santa Clara	\$0.0	\$0.0	\$73.6
Subtotal / 3 Cities	\$0.0	\$0.0	\$235.2
Total Cupertino-Based Apple Salaries	\$0.0	\$0.0	\$917.6

¹ Detailed salary distribution shown in Table 5.

Table 3
Place of Residence of Cupertino-based Apple Employees
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

<u>Place of Residence</u>	<u>2010</u>		<u>2011 (New Empls.)</u>		<u>Total 2010 and 2011</u>	
All Cupertino-Based Apple Employees ¹						
Bay Area						
Alameda County	600	6.0%	124	7.8%	724	6.2%
Contra Costa County	123	1.2%	32	2.0%	155	1.3%
Marin County	32	0.3%	7	0.4%	39	0.3%
Napa County	6	0.1%	-	0.0%	6	0.1%
San Francisco County	1,395	13.9%	227	14.3%	1,622	14.0%
San Mateo County	768	7.7%	90	5.7%	858	7.4%
Santa Clara County	6,469	64.5%	978	61.7%	7,447	64.1%
Solano County	7	0.1%	1	0.1%	8	0.1%
Sonoma County	13	0.1%	4	0.3%	17	0.1%
Santa Cruz County	246	2.5%	27	1.7%	273	2.3%
Total Bay Area	9,659	96.3%	1,490	94.1%	11,149	96.0%
Within CA (Excluding Bay Area)	243	2.4%	55	3.5%	298	2.6%
Out of State	133	1.3%	39	2.5%	172	1.5%
Total Cupertino-Based Apple Employees	10,035		1,584		11,619	
3-City Cupertino-Based Apple Empls. ¹						
Cupertino	806	8.0%	133	8.4%	939	8.1%
Sunnyvale	813	8.1%	146	9.2%	959	8.3%
Santa Clara	512	5.1%	127	8.0%	639	5.5%
Total 3-City Cupertino-Based Empls.	2,131	21.2%	406	25.6%	2,537	21.8%

Source: Apple Inc.

¹ Does not include contract employees, which bring the 2010 total to approximately 13,000.

Table 4
Base and Projected Cupertino-based Apple Employment
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

Employment Distribution by Place of Residence			2010 Cupertino Facilities ¹	2012 Cupertino Facilities ¹	Future Cupertino Facilities w/ Apple Campus 2
	<u>2010</u>				
Base Employment Distribution ²	<u>Empl. ⁴</u>	<u>%</u>			
Cupertino	806	8.0%	1,044	1,285	1,285
Sunnyvale	813	8.1%	1,053	1,296	1,296
Santa Clara	<u>512</u>	<u>5.1%</u>	663	816	816
Subtotal / 3 Cities	2,131	21.2%	<u>2,761</u>	<u>3,398</u>	<u>3,398</u>
Santa Clara County Total	6,469	64.5%	8,380	10,314	10,314
Cupertino-Based Apple Total	10,035	100.0%	13,000	16,000	16,000
	<u>2011 New Hires</u>				
Net New Employment Distribution ³	<u>Empl. ⁴</u>	<u>%</u>			
Cupertino	133	8.4%	0	0	621
Sunnyvale	146	9.2%	0	0	682
Santa Clara	<u>127</u>	<u>8.0%</u>	0	0	593
Subtotal / 3 Cities	406	25.6%	<u>0</u>	<u>0</u>	<u>1,897</u>
Santa Clara County Total	978	61.7%	0	0	4,569
Cupertino-Based Apple Total	1,584	100.0%	0	0	7,400
Total Employment Distribution					
Cupertino			1,044	1,285	1,906
Sunnyvale			1,053	1,296	1,978
Santa Clara			663	816	1,410
Subtotal / 3 Cities			<u>2,761</u>	<u>3,398</u>	<u>5,294</u>
Santa Clara County Total			8,380	10,314	14,883
Cupertino-Based Apple Total			13,000	16,000	23,400

¹ Cupertino-based employment in 2010 and 2012 provided by Apple Inc. The 16,000 Cupertino-based employees in 2012 include 15,000 employees in Cupertino, and 1,000 that are temporarily working in neighboring communities, due to the lack of space in Cupertino. It is anticipated that these 1,000 employees will move back to the City with the completion of Campus 2.

² Based on distribution of 2010 employees.

³ Based on distribution of new hires in 2011.

⁴ Per information provided by Apple Inc. See Table 3.

Table 5
Base and Projected Cupertino-based Apple Employee Salaries
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

Salary Distribution by Place of Employee Residence	2010 Cupertino Facilities	2012 Cupertino Facilities	Future Cupertino Facilities w/ Apple Campus 2
<i>employee salary</i> ¹	\$121,000	\$124,000	\$124,000
Base Employee Salaries (\$Ms)			
Cupertino	\$126.3	\$159.4	\$159.4
Sunnyvale	\$127.4	\$160.7	\$160.7
Santa Clara	\$80.3	\$101.2	\$101.2
Subtotal / 3 Cities	\$334.0	\$421.3	\$421.3
Santa Clara County Total	\$1,014.0	\$1,279.0	\$1,279.0
Cupertino-Based Apple Total	\$1,573.0	\$1,984.0	\$1,984.0
Net New Employee Salaries (\$Ms)			
Cupertino	\$0.0	\$0.0	\$77.0
Sunnyvale	\$0.0	\$0.0	\$84.6
Santa Clara	\$0.0	\$0.0	\$73.6
Subtotal / 3 Cities	\$0.0	\$0.0	\$235.2
Santa Clara County Total	\$0.0	\$0.0	\$566.5
Cupertino-Based Apple Total	\$0.0	\$0.0	\$917.6
Total Employee Salaries (\$Ms)			
Cupertino	\$126.3	\$159.4	\$236.4
Sunnyvale	\$127.4	\$160.7	\$245.3
Santa Clara	\$80.3	\$101.2	\$174.8
Subtotal / 3 Cities	\$334.0	\$421.3	\$656.5
Santa Clara County Total	\$1,014.0	\$1,279.0	\$1,845.5
Cupertino-Based Apple Total	\$1,573.0	\$1,984.0	\$2,901.6

¹ Based on average software engineer salaries in the Occupational Employment Survey for the San Jose-Sunnyvale-Santa Clara MSA (California Employment Development Department). Actual average salaries of Apple employees are significantly higher than assumed salary levels based on the EDD survey.

Table 6
Economic Impacts - Cupertino
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

	2010 Cupertino Facilities	2012 Cupertino Facilities	Total with Apple Campus 2	Net New from 2012 w/ Apple Campus 2
Employment				
Direct ¹	13,000	16,000	23,400	7,400
Indirect ²	90	90	130	40
Induced ³	260	330	490	160
Total	13,350	16,420	24,020	7,600
EmPLY. Compensation (\$Ms) ^{4, 5}				
Indirect ²	\$11.3	\$12.3	\$18.0	\$5.7
Induced ³	\$13.5	\$17.0	\$25.3	\$8.2
Total	\$24.8	\$29.3	\$43.2	\$13.9
Output (\$Ms) ⁴				
Indirect ²	\$48.6	\$52.8	\$77.2	\$24.4
Induced ³	\$39.5	\$49.8	\$73.9	\$24.1
Total	\$88.1	\$102.6	\$151.1	\$48.5

¹ See Tables 1 and 4.

² Indirect impacts result from company purchases of goods and services from other local industries, and the local purchases of these industries in turn, until the local supply chain is exhausted. Company purchases in Cupertino were provided by Apple Inc. and run through the IMPLAN model to estimate associated impacts through the Cupertino supply chain.

³ Induced impacts are produced by the spending of employee salaries. Induced impacts were run in IMPLAN based on household income generated by employment at Apple. See Tables 2 and 5.

⁴ Direct impacts of Apple Inc. activities were not broken out, in order to protect confidentiality.

⁵ Employee compensation includes all employer costs for employees, including non-wage benefits such as health insurance.

Source: Minnesota IMPLAN Group 2011 County Plus Package for Santa Clara County.

Table 7
Economic Impacts - Sunnyvale
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

	2010 Cupertino Facilities	2012 Cupertino Facilities	Total with Apple Campus 2	Net New from 2012 w/ Apple Campus 2
Employment				
Direct (in Cupertino) ¹	13,000	16,000	23,400	7,400
Indirect ²	420	810	1,180	370
Induced ³	210	270	410	140
Total	13,630	17,080	24,990	7,910
EmPLY. Compensation (\$Ms) ^{4, 5}				
Indirect ²	\$65.3	\$127.5	\$186.4	\$58.9
Induced ³	\$9.6	\$12.1	\$18.4	\$6.4
Total	\$74.9	\$139.5	\$204.8	\$65.3
Output (\$Ms) ⁴				
Indirect ²	\$322.3	\$628.7	\$919.4	\$290.8
Induced ³	\$30.7	\$38.7	\$59.1	\$20.4
Total	\$353.0	\$667.4	\$978.5	\$311.1

¹ See Tables 1 and 4.

² Indirect impacts result from company purchases of goods and services from other local industries, and the local purchases of these industries in turn, until the local supply chain is exhausted. Company purchases in Sunnyvale were provided by Apple Inc. and run through the IMPLAN model to estimate associated impacts through the Sunnyvale supply chain.

³ Induced impacts are produced by the spending of employee salaries. Induced impacts were run in IMPLAN based on household income generated by employment at headquarters. See Tables 2 and 5.

⁴ Direct impacts of Apple Inc. activities were not broken out, in order to protect confidentiality.

⁵ Employee compensation includes all employer costs for employees, including non-wage benefits such as health insurance.

Source: Minnesota IMPLAN Group 2011 County Plus Package for Santa Clara County.

Table 8
Economic Impacts - Santa Clara
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

	2010 Cupertino Facilities	2012 Cupertino Facilities	Total with Apple Campus 2	Net New from 2012 w/ Apple Campus 2
Employment				
Direct (in Cupertino) ¹	13,000	16,000	23,400	7,400
Indirect ²	7,880	8,130	11,890	3,760
Induced ³	160	200	350	150
Total	<u>21,040</u>	<u>24,330</u>	<u>35,640</u>	<u>11,310</u>
Emply. Compensation (\$Ms) ^{4, 5}				
Indirect ²	\$1,127.0	\$1,162.3	\$1,699.9	\$537.6
Induced ³	\$7.7	\$9.8	\$16.9	\$7.1
Total	<u>\$1,134.7</u>	<u>\$1,172.1</u>	<u>\$1,716.8</u>	<u>\$544.7</u>
Output (\$Ms) ⁴				
Indirect ²	\$5,073.9	\$5,233.1	\$7,653.5	\$2,420.3
Induced ³	\$22.6	\$28.5	\$49.2	\$20.7
Total	<u>\$5,096.6</u>	<u>\$5,261.7</u>	<u>\$7,702.7</u>	<u>\$2,441.1</u>

¹ See Tables 1 and 4.

² Indirect impacts result from company purchases of goods and services from other local industries, and the local purchases of these industries in turn, until the local supply chain is exhausted. Company purchases in Santa Clara were provided by Apple Inc. and run through the IMPLAN model to estimate associated impacts through the Santa Clara supply chain.

³ Induced impacts are produced by the spending of employee salaries. Induced impacts were run in IMPLAN based on household income generated by employment at headquarters. See Tables 2 and 5.

⁴ Direct impacts of Apple Inc. activities were not broken out, in order to protect confidentiality.

⁵ Employee compensation includes all employer costs for employees, including non-wage benefits such as health insurance.

Source: Minnesota IMPLAN Group 2011 County Plus Package for Santa Clara County.

Table 9
Economic Impacts - Cupertino, Sunnyvale, and Santa Clara
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

	2010 Cupertino Facilities	2012 Cupertino Facilities	Total with Apple Campus 2	Net New from 2012 w/ Apple Campus 2
Employment				
Direct (in Cupertino) ¹	13,000	16,000	23,400	7,400
Indirect ²	8,150	8,890	13,000	4,110
Induced ³	670	840	1,310	470
Total	<u>21,820</u>	<u>25,730</u>	<u>37,710</u>	<u>11,980</u>
Emply. Compensation (\$Ms) ⁴				
Indirect ²	\$1,172.5	\$1,277.8	\$1,868.8	\$591.0
Induced ³	\$33.1	\$41.7	\$65.0	\$23.3
Total	<u>\$1,205.6</u>	<u>\$1,319.5</u>	<u>\$1,933.8</u>	<u>\$614.3</u>
Output (\$Ms)				
Indirect - Apple Purchases ⁵	\$4,187.0	\$4,563.0	\$6,673.4	\$2,110.4
Additional Indirect ²	\$1,214.4	\$1,323.5	\$1,935.6	\$612.1
Induced ³	\$97.2	\$122.7	\$191.1	\$68.5
Total	<u>\$5,498.7</u>	<u>\$6,009.2</u>	<u>\$8,800.1</u>	<u>\$2,791.0</u>

¹ See Tables 1 and 4.

² Indirect impacts result from company purchases of goods and services from other local industries, and the local purchases of these industries in turn, until the local supply chain is exhausted. Company purchases in the three cities were provided by Apple Inc. and run through the IMPLAN model to estimate associated impacts through the local supply chain. Impacts from indirect purchases across the three cities are greater than the sum of impacts in each individual city. This is because, for the three-city geography, purchases between cities are taken into account.

³ Induced impacts are produced by the spending of employee salaries. Induced impacts were run in IMPLAN based on household income generated by employment at Apple. See Tables 2 and 5. Impacts from indirect purchases across the three cities are greater than the sum of impacts in each individual city. This is because, for the three-city geography, purchases between cities are taken into account.

⁴ Employee compensation includes all employer costs for employees, including non-wage benefits such as health insurance.

⁵ Per Apple Inc.

Source: Minnesota IMPLAN Group 2011 County Plus Package for Santa Clara County.

Table 10
Economic Impacts - Santa Clara County
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

	2010 Cupertino Facilities	2012 Cupertino Facilities	Total with Apple Campus 2	Net New from 2012 w/ Apple Campus 2
Employment				
Direct (in Cupertino) ¹	13,000	16,000	23,400	7,400
Indirect (3-city) ²	8,150	8,890	13,000	4,110
Induced ³	2,570	3,240	4,680	1,440
Total	23,720	28,130	41,080	12,950
Emply. Compensation (\$Ms) ⁴				
Indirect (3-city) ²	\$1,172.5	\$1,277.8	\$1,868.8	\$591.0
Induced ³	\$128.9	\$162.6	\$234.6	\$72.0
Total	\$1,301.4	\$1,440.4	\$2,103.4	\$663.0
Output (\$Ms)				
Indirect - Apple Purchases ⁵	\$4,187.0	\$4,563.0	\$6,673.4	\$2,110.4
Additional Indirect (3-city) ²	\$1,214.4	\$1,323.5	\$1,935.6	\$612.1
Induced ³	\$366.1	\$461.8	\$666.3	\$204.6
Total	\$5,767.5	\$6,348.3	\$9,275.3	\$2,927.1

¹ See Tables 1 and 4.

² Indirect impacts result from company purchases of goods and services from other local industries, and the local purchases of these industries in turn, until the local supply chain is exhausted. Company purchases in Cupertino, Sunnyvale, and Santa Clara were provided by Apple Inc. and run through the IMPLAN model to estimate associated impacts through the local supply chain (see Table 9). Company purchases were not provided for the County.

³ Induced impacts are produced by the spending of employee salaries. Induced impacts were run in IMPLAN based on household income generated by employment at Apple. See Tables 2 and 5.

⁴ Employee compensation includes all employer costs for employees, including non-wage benefits such as health insurance.

⁵ Per Apple Inc.

Source: Minnesota IMPLAN Group 2011 County Plus Package for Santa Clara County.

Table 11
Summary Estimated Annual Fiscal Impact on the City of Cupertino Generated by Apple
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

<u>Direct General Fund Revenues ¹</u>	<u>2010 Cupertino</u>		<u>2012 Cupertino</u>		<u>Future Cupertino</u>	
	<u>Facilities</u>		<u>Facilities</u>		<u>Facilities w/ Apple Campus 2</u>	
		<i>% Totl.</i>		<i>% Totl.</i>		<i>% Totl.</i>
Direct Sales and Use Tax	\$5,668,000	70.6%	\$6,482,000	70.8%	\$7,384,000	56.9%
Property Taxes	\$925,000	11.5%	\$1,220,000	13.3%	\$2,935,000	22.6%
Property Tax In-Lieu of MVLFF	\$530,000	6.6%	\$694,000	7.6%	\$1,589,000	12.2%
Utility Users Tax	\$657,000	8.2%	\$466,000	5.1%	\$639,000	4.9%
Franchise Fee	\$180,000	2.2%	\$218,000	2.4%	\$318,000	2.5%
Fines and Forfeitures	\$41,000	0.5%	\$50,000	0.5%	\$73,000	0.6%
Business License Tax	\$23,000	0.3%	\$22,000	0.2%	\$25,000	0.2%
Charges for Services	\$6,000	0.1%	\$7,000	0.1%	\$10,000	0.1%
Total Direct GF Revenues	\$8,030,000	100.0%	\$9,159,000	100.0%	\$12,973,000	100.0%
<u>General Fund Expenditures ²</u>						
Public Works	\$358,000	38.1%	\$454,000	38.4%	\$663,000	38.3%
Law Enforcement	\$367,000	39.0%	\$452,000	38.2%	\$661,000	38.2%
Transfers Out	\$92,000	9.8%	\$131,000	11.1%	\$192,000	11.1%
Administrative Services	\$71,000	7.6%	\$84,000	7.1%	\$124,000	7.2%
Public and Environmental Affairs	\$26,000	2.8%	\$29,000	2.5%	\$42,000	2.4%
City Attorney	\$10,000	1.1%	\$13,000	1.1%	\$19,000	1.1%
Administration / City Manager	\$8,000	0.9%	\$11,000	0.9%	\$15,000	0.9%
Council and Commissions	\$8,000	0.9%	\$9,000	0.8%	\$13,000	0.8%
Total GF Expenditures	\$940,000	100.0%	\$1,183,000	100.0%	\$1,729,000	100.0%
Net Annual Direct GF Revenue	\$7,090,000		\$7,976,000		\$11,244,000	
Net New vs 2012 Cup. Facilities					\$3,268,000	
<u>Additional Indirect</u>						
<u>General Fund Revenues ¹</u>						
Transient Occupancy Tax	\$766,000	69.0%	\$1,083,000	71.7%	\$1,585,000	71.6%
Employee Resident Sales Tax	\$187,000	16.8%	\$231,000	15.3%	\$342,000	15.4%
Employee Lunchtime Sales Tax	\$125,000	11.3%	\$154,000	10.2%	\$225,000	10.2%
Hotel Visitor Sales Tax	\$32,000	2.9%	\$42,000	2.8%	\$62,000	2.8%
Total Indirect GF Revenues	\$1,110,000	100.0%	\$1,510,000	100.0%	\$2,214,000	100.0%
Net Annual Dir. and Indir. GF Rev.	\$8,200,000		\$9,486,000		\$13,458,000	
Net New vs 2012 Cup. Facilities					\$3,972,000	

¹ See Tables 14 through 14d for revenue calculations.

² See Tables 15 and 15a for expenditure calculations.

Table 12
Base and Projected Cupertino-based Apple Employee Resident Equivalents
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

<u>Employment and Resident Equivalents</u>		<u>2010 Cupertino Facilities</u>	<u>2012 Cupertino Facilities</u>	<u>Future Cupertino Facilities w/ Apple Campus 2</u>
Total Apple Employment ¹		13,000	16,000	23,400
Employee-Based Resident Equivalents	<i>0.33 per empl</i>	4,333	5,333	7,800

¹ See Table 1.

Table 13
City of Cupertino Demographic Data
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

Demographic Measure	2010	2012¹
Population ²	58,302	59,022
Employment ³	32,010	32,166
Day and Nighttime Population ⁴	90,312	91,188
Resident Equivalents	<i>0.33 per employee</i>	69,744

¹ Reflects growth from Census/ABAG Projection referenced in January 2013 Apple Campus 2 Project EIR.

² EIR data from U.S. Census 2011; Department of Finance, for 2012 data.

³ ABAG Projections 2009. Data reported for the City's sphere of influence. Extrapolated to 2012.

⁴ Total population plus total employment.

Table 14
City of Cupertino Revenue Source Assumptions 2010/11
Economic & Fiscal Impacts of Apple's Current and Future Facilities in Cupertino
Apple Inc.

Direct General Fund Revenues

Property Tax	See Table 14b
Property Tax In-Lieu of MVLF	<p>\$3,135,617 property tax based revenues 2004-05 ^{1,2}</p> <p><u>\$9,526,841,379</u> 2004-05 gross AV ^{1,2}</p> <p>\$0.33 per \$1,000 in AV growth</p>
Sales and Use Tax	<p>1.00% of taxable sales ³</p> <p>See Table 14c for taxable sales and reimbursement calculations</p>
Utility Users Tax	<p>\$657,246 2010 annual utility user taxes ⁴</p> <p><u>13,000</u> 2010 employment ^{4,5}</p> <p>\$50.56 per employee</p> <p>80.00% energy efficiency factor for Apple Campus 2 employees ⁶</p>
Franchise Fees	<p>\$2,860,000 citywide revenues in FY 2011/12 ⁷</p> <p><u>68,972</u> resident equivalents ⁸</p> <p>\$41.47 per resident equivalent</p>
Business License Tax	<p>\$119 per business ⁹</p> <p>\$0.0041 per sf for businesses > 150,000 sf ⁹</p> <p>15% circulation factor ⁹</p>
Property Transfer Tax	It is assumed that property transfers will not occur.
Motor Vehicle License Fee	The per capita portion of MVLF does not apply to the project, and has been cancelled for cities.
Charges for Services	<p>\$92,000 citywide revenues in FY 2011/12 ⁷</p> <p><u>68,972</u> resident equivalents ⁸</p> <p>\$1.33 per resident equivalent</p>
Fines and Forfeitures	<p>\$650,000 citywide revenues in FY 2011/12 ⁷</p> <p><u>68,972</u> resident equivalents ⁸</p> <p>\$9.42 per resident equivalent</p>

Table 14
City of Cupertino Revenue Source Assumptions 2010/11
Economic & Fiscal Impacts of Apple's Current and Future Facilities in Cupertino
Apple Inc.

Additional Indirect General Fund Revenues

Sales and Use Tax	1.00% of taxable sales ³							
Employee Residents Spending	See Table 14d							
Employee Lunchtime Spending	<table> <tr> <td>\$8.00 per employee per meal ⁶</td> </tr> <tr> <td>50% employee lunchtime spending incidence ⁶</td> </tr> <tr> <td><u>48 weeks per year ⁶</u></td> </tr> <tr> <td>\$960 per employee per year</td> </tr> </table>	\$8.00 per employee per meal ⁶	50% employee lunchtime spending incidence ⁶	<u>48 weeks per year ⁶</u>	\$960 per employee per year			
\$8.00 per employee per meal ⁶								
50% employee lunchtime spending incidence ⁶								
<u>48 weeks per year ⁶</u>								
\$960 per employee per year								
Hotel Visitor Spending	<table> <tr> <td>13,000 2010 employment ⁵</td> </tr> <tr> <td>42,579 room nights generated Aug 2010 - Jul 2011 ⁴</td> </tr> <tr> <td>\$100 daily meal allowance ⁴</td> </tr> <tr> <td><u>75% Cupertino capture ¹⁰</u></td> </tr> <tr> <td>\$245.65 annual hotel visitor spending per employee</td> </tr> </table>	13,000 2010 employment ⁵	42,579 room nights generated Aug 2010 - Jul 2011 ⁴	\$100 daily meal allowance ⁴	<u>75% Cupertino capture ¹⁰</u>	\$245.65 annual hotel visitor spending per employee		
13,000 2010 employment ⁵								
42,579 room nights generated Aug 2010 - Jul 2011 ⁴								
\$100 daily meal allowance ⁴								
<u>75% Cupertino capture ¹⁰</u>								
\$245.65 annual hotel visitor spending per employee								
Transient Occupancy Tax	<table> <tr> <td>13,000 2010 employment ⁵</td> </tr> <tr> <td><u>42,579 room nights generated Aug 2010 - Jul 2011 ⁴</u></td> </tr> <tr> <td>3.28 annual room nights per employee</td> </tr> <tr> <td> </td> </tr> <tr> <td>\$150 room revenue per night ⁴</td> </tr> <tr> <td><u>12% of room revenues ⁹</u></td> </tr> <tr> <td>\$18 per room night</td> </tr> </table>	13,000 2010 employment ⁵	<u>42,579 room nights generated Aug 2010 - Jul 2011 ⁴</u>	3.28 annual room nights per employee	 	\$150 room revenue per night ⁴	<u>12% of room revenues ⁹</u>	\$18 per room night
13,000 2010 employment ⁵								
<u>42,579 room nights generated Aug 2010 - Jul 2011 ⁴</u>								
3.28 annual room nights per employee								
\$150 room revenue per night ⁴								
<u>12% of room revenues ⁹</u>								
\$18 per room night								

¹ Per SB 1096, growth of property tax in lieu of VLF is proportional to growth in AV since 2004/05. Before 2004/05, VLF was distributed in proportion to population.

² VLF distribution in 2004/05 per the California State Controller's Office.

³ The City of Cupertino receives 1% of the total 8.25% sales tax collected on taxable sales, per the City of Cupertino Adopted Budget Fiscal Year 2011-12.

⁴ Per Apple Inc.

⁵ See Table 1.

⁶ KMA assumption

⁷ See Appendix A-1.

⁸ See Table 13.

⁹ Per Cupertino Municipal Code.

Table 14
City of Cupertino Revenue Source Assumptions 2012/13
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

Direct General Fund Revenues

Property Tax	See Table 14b
Property Tax In-Lieu of MVLF	<p>\$3,135,617 property tax based revenues 2004-05 ^{1,2}</p> <p><u>\$9,526,841,379</u> 2004-05 gross AV ^{1,2}</p> <p>\$0.33 per \$1,000 in AV growth</p>
Sales and Use Tax from Company Sales / Purchases	<p>1.00% of taxable sales ³</p> <p>See Table 14c for taxable sales and reimbursement calculations</p>
Utility Users Tax	<p>\$466,338 2012 annual utility user taxes ⁴</p> <p><u>16,000</u> end FY 2011/2012 employment ^{4,5}</p> <p>\$29.15 per employee</p> <p>80.00% energy efficiency factor for Apple Campus 2 employees ⁶</p>
Franchise Fees	<p>\$2,845,000 citywide revenues in FY 2012/13 ⁷</p> <p><u>69,744</u> resident equivalents ⁸</p> <p>\$40.79 per resident equivalent</p>
Business License Tax	<p>\$119 per business ⁹</p> <p>\$0.0041 per sf for businesses > 150,000 sf ⁹</p> <p>15% circulation factor ⁹</p>
Property Transfer Tax	It is assumed that property transfers will not occur.
Motor Vehicle License Fee	The per capita portion of MVLF does not apply to the project, and has been cancelled for cities.
Charges for Services	<p>\$93,000 citywide revenues in FY 2012/13 ⁷</p> <p><u>69,744</u> resident equivalents ⁸</p> <p>\$1.33 per resident equivalent</p>
Fines and Forfeitures	<p>\$650,000 citywide revenues in FY 2012/13 ⁷</p> <p><u>69,744</u> resident equivalents ⁸</p> <p>\$9.32 per resident equivalent</p>

Table 14
City of Cupertino Revenue Source Assumptions 2012/13
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

Additional Indirect General Fund Revenues

Sales and Use Tax	1.00% of taxable sales ³
Employee Residents Spending	See Table 14d
Employee Lunchtime Spending	\$8.00 per employee per meal ⁶ 50% employee lunchtime spending incidence ⁶ <u>48 weeks per year ⁶</u> \$960 per employee per year
Hotel Visitor Spending	16,000 end FY 2011/2012 employment ^{4,5} 56,430 room nights generated Aug 2011 - Jul 2012 ⁴ \$100 daily meal allowance ⁴ <u>75% Cupertino capture ⁶</u> \$264.52 annual hotel visitor spending per employee
Transient Occupancy Tax	16,000 end FY 2011/2012 employment ^{4,5} <u>56,430 room nights generated Aug 2011 - Jul 2012 ⁴</u> 3.53 annual room nights per employee \$160 room revenue per night ⁴ <u>12% of room revenues ⁹</u> \$19 per room night

¹ Per SB 1096, growth of property tax in lieu of VLF is proportional to growth in AV since 2004/05. Before 2004/05, VLF was distributed in proportion to population.

² VLF distribution in 2004/05 per the California State Controller's Office.

³ The City of Cupertino receives 1% of the total 8.25% sales tax collected on taxable sales, per the City of Cupertino Adopted Budget Fiscal Year 2011-12.

⁴ Per Apple Inc.

⁵ See Table 1.

⁶ KMA assumption.

⁷ See Appendix A-1.

⁸ See Table 13.

⁹ Per Cupertino Municipal Code.

Table 14a
Annual City of Cupertino Revenues Generated by Apple
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

<u>General Fund Revenue Category</u>			<u>2010</u> <u>Cupertino</u> <u>Facilities</u>	<u>2012</u> <u>Cupertino</u> <u>Facilities</u>	<u>Future</u> <u>Cupertino</u> <u>Facilities</u> <u>w/ Apple</u> <u>Campus 2</u>
		<i>employees</i> ¹	13,000	16,000	23,400
		<i>resident equivalents</i> ¹	4,333	5,333	7,800
		<i>assessed value (\$1,000s)</i> ²	\$1,608,930	\$2,107,528	\$4,827,973
		<i>square footage</i> ³	6,518,100	6,243,937	7,006,937
Direct Revenues		<u>Estimating Factors</u>⁴			
Property Taxes ²		<u>2010</u>			
Property Tax In-Lieu of MVLFF		<u>2012</u>	\$925,000	\$1,220,000	\$2,935,000
Sales/Use Tax - Apple Sales/Purchases ⁵		<i>\$0.33 /\$1,000 AV</i>	\$529,555	\$693,661	\$1,589,055
		<i>\$0.33 /\$1,000 AV</i>	\$5,668,000	\$6,482,000	\$7,384,000
Utility Users Tax					
Current Cupertino Facility Employees			13,000	16,000	16,000
Apple Campus 2 Employees			0	0	7,400
Tax from Current Facilities		<i>\$50.56 /empl</i>	\$657,246	\$466,338	\$466,338
Tax from Apple Campus 2	<i>80.00% eff.</i>	<i>\$40.45 /empl</i>	\$0	\$0	\$172,545
			<u>\$657,246</u>	<u>\$466,338</u>	<u>\$638,883</u>
Franchise Fee		<i>\$41.47 /res eq</i>	\$179,686	\$217,558	\$318,178
Business License Tax					
Base Tax		<i>\$119 /bus</i>	\$119	\$119	\$119
Per Square Foot Fee	<i>\$0.004 /sf</i>	<i>15% circulation</i>	\$22,716	\$21,760	\$24,419
		<i>15% circulation</i>	<u>\$22,835</u>	<u>\$21,879</u>	<u>\$24,538</u>
Charges for Services		<i>\$1.33 /res eq</i>	\$5,780	\$7,112	\$10,401
Fines and Forfeitures		<i>\$9.42 /res eq</i>	\$40,838	\$49,706	\$72,694
Total Direct General Fund Revenue			<u><u>\$8,028,940</u></u>	<u><u>\$9,158,253</u></u>	<u><u>\$12,972,749</u></u>

Table 14a
Annual City of Cupertino Revenues Generated by Apple
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

<u>General Fund Revenue Category</u>			2010	2012	Future
			Cupertino	Cupertino	Cupertino
			Facilities	Facilities	Facilities
					w/ Apple
					Campus 2
		<i>employees</i> ¹	13,000	16,000	23,400
		<i>resident equivalents</i> ¹	4,333	5,333	7,800
		<i>assessed value (\$1,000s)</i> ²	\$1,608,930	\$2,107,528	\$4,827,973
		<i>square footage</i> ³	6,518,100	6,243,937	7,006,937
Additional Indirect Revenues	Estimating Factors ⁴				
Sales Tax			2010	2012	
Employee Residents ⁶				\$186,924	\$230,848
Employee Lunchtime Spending	1.00% tax	\$960 /empl	\$960 /empl	\$124,800	\$153,600
Hotel Visitor Spending	1.00% tax	\$245.65 /empl	\$264.52 /empl	\$31,934	\$42,323
				<u>\$343,659</u>	<u>\$426,770</u>
					<u>\$628,898</u>
Transient Occupancy Tax					
Employee Room-Nights		3.28 rm nt /empl	3.53 rm nt /empl	42,579	56,430
		\$18.00 /rm nt	\$19.20 /rm nt	<u>\$766,422</u>	<u>\$1,083,456</u>
					<u>82,529</u>
Total Indirect General Fund Revenue			\$1,110,081	\$1,510,226	\$2,213,452

¹ See Table 12.

² See Table 14b.

³ Square footages based on the following (see Appendix A-3 for Infinite Loop and other Cupertino; Apple Campus 2 Project EIR, January 2013 for the AC2 site):

Infinite Loop - Owned / Leased	1,198,579	1,198,579	1,198,579
Other Owned Properties in Cupertino	530,451	783,021	783,021
Other Leased Properties in Cupertino	2,132,070	1,605,337	1,605,337
Apple Campus 2 Properties	2,657,000	2,657,000	3,420,000
	<u>6,518,100</u>	<u>6,243,937</u>	<u>7,006,937</u>

⁴ See Table 14.

⁵ See Table 14c.

⁶ See Table 14d.

Table 14b
Assessed Property Values and Property Tax Revenues -
Cupertino Properties Owned or Leased by Apple ¹
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

Future Apple Real Estate in Cupertino with Apple Campus 2						
	<i>Infinite Loop Properties Owned/Leased by Apple</i>	<i>Other Leased Properties in Cupertino ²</i>	<i>Apple Campus 2 Properties - TRA 013-003 ³</i>	<i>Apple Campus 2 Properties - TRA 013-006 ³</i>	<i>Other Owned Properties in Cupertino ²</i>	<i>Total Real Estate Holdings</i>
Land	\$57,504,216	\$136,650,820	incl. below	incl. below	\$81,133,226	\$275,288,262
Real Property	\$205,650,336	\$243,213,595	\$438,596,000	\$2,561,404,000	\$44,295,086	\$3,493,159,017
Personal, Fixtures, Imps Propty	<u>\$240,645,253</u>	<u>\$224,614,177</u>	<u>\$75,605,469</u>	<u>\$441,535,936</u>	<u>\$77,124,675</u>	<u>\$1,059,525,510</u>
Total AV	\$503,799,805	\$604,478,592	\$514,201,469	\$3,002,939,936	\$202,552,987	\$4,827,972,789
Total Property Tax Rate ⁴	1.18%	1.18%	1.18%	1.16%	1.18%	1.17%
Annual Property Taxes	\$5,948,364	\$7,137,079	\$6,071,177	\$34,954,221	\$2,391,543	\$56,502,384
City of Cupertino's Share of Base 1% Rate ⁵	5.65%	5.65%	5.65%	6.34%	5.65%	
Property Tax Revenues to City of Cupertino	\$285,000	\$342,000	\$291,000	\$1,903,000	\$114,000	\$2,935,000
2012 Apple Cupertino Real Estate						
	<i>Infinite Loop Properties Owned/Leased by Apple</i>	<i>Other Leased Properties in Cupertino ²</i>	<i>Apple Campus 2 Properties - TRA 013-003 ³</i>	<i>Apple Campus 2 Properties - TRA 013-006 ³</i>	<i>Other Owned Properties in Cupertino ²</i>	<i>Total Real Estate Holdings</i>
Land	\$57,504,216	\$136,650,820	\$193,598,645	\$398,565,000	\$81,133,226	\$867,451,907
Real Property	\$205,650,336	\$243,213,595	\$119,939,677	\$11,495,400	\$44,295,086	\$624,594,094
Personal, Fixtures, Imps Propty	<u>\$240,645,253</u>	<u>\$224,614,177</u>	<u>\$73,098,053</u>	<u>\$0</u>	<u>\$77,124,675</u>	<u>\$615,482,158</u>
Total AV	\$503,799,805	\$604,478,592	\$386,636,375	\$410,060,400	\$202,552,987	\$2,107,528,159
Total Property Tax Rate ⁴	1.18%	1.18%	1.18%	1.16%	1.18%	1.18%
Annual Property Taxes	\$5,948,364	\$7,137,079	\$4,565,016	\$4,773,103	\$2,391,543	\$24,815,105
City of Cupertino's Share of Base 1% Rate ⁵	5.65%	5.65%	5.65%	6.34%	5.65%	
Property Tax Revenues to City of Cupertino	\$285,000	\$342,000	\$219,000	\$260,000	\$114,000	\$1,220,000
2010 Apple Cupertino Real Estate						
	<i>Infinite Loop Properties Owned/Leased by Apple</i>	<i>Other Leased Properties in Cupertino ²</i>	<i>Apple Campus 2 Properties - TRA 013-003 ³</i>	<i>Apple Campus 2 Properties - TRA 013-006 ³</i>	<i>Other Owned Properties in Cupertino ²</i>	<i>Total Real Estate Holdings</i>
Land	\$56,376,688	\$118,146,571	\$164,960,767	\$13,434,759	\$71,159,470	\$424,078,255
Real Property	\$153,117,441	\$202,688,642	\$121,244,838	\$204,272,197	\$39,796,105	\$721,119,223
Personal, Fixtures, Imps Propty	<u>\$234,287,271</u>	<u>\$147,405,620</u>	<u>\$33,874,661</u>	<u>\$0</u>	<u>\$48,164,837</u>	<u>\$463,732,389</u>
Total AV	\$443,781,400	\$468,240,833	\$320,080,266	\$217,706,956	\$159,120,412	\$1,608,929,867
Total Property Tax Rate ⁴	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%
Annual Property Taxes	\$5,114,581	\$5,396,476	\$3,688,925	\$2,502,759	\$1,833,863	\$18,536,603
City of Cupertino's Share of Base 1% Rate ⁶	5.65%	5.65%	5.65%	6.34%	5.65%	
Property Tax Revenues to City of Cupertino	\$251,000	\$265,000	\$181,000	\$138,000	\$90,000	\$925,000
Net Growth in Real Estate 2012 to Future with Apple Campus 2						
	<i>Infinite Loop Properties Owned/Leased by Apple</i>	<i>Other Leased Properties in Cupertino ²</i>	<i>Apple Campus 2 Properties - TRA 013-003 ³</i>	<i>Apple Campus 2 Properties - TRA 013-006 ³</i>	<i>Other Owned Properties in Cupertino ²</i>	<i>Total Real Estate Holdings</i>
Land	\$0	\$0	incl. below	incl. below	\$0	incl. below
Real Property	\$0	\$0	\$125,057,678	\$2,151,343,600	\$0	\$2,276,401,278
Personal, Fixtures, Imps Propty	<u>\$0</u>	<u>\$0</u>	<u>\$2,507,416</u>	<u>\$441,535,936</u>	<u>\$0</u>	<u>\$444,043,352</u>
Total AV	\$0	\$0	\$127,565,094	\$2,592,879,536	\$0	\$2,720,444,630
Total Property Tax Rate	1.18%	1.18%	1.18%	1.16%	1.18%	1.16%
Annual Property Taxes	\$0	\$0	\$1,506,161	\$30,181,118	\$0	\$31,687,279
City of Cupertino's Share of Base 1% Rate	5.65%	5.65%	5.65%	6.34%	5.65%	
Property Tax Revenues to City of Cupertino	\$0	\$0	\$72,000	\$1,643,000	\$0	\$1,715,000

Table 14b
Assessed Property Values and Property Tax Revenues -
Cupertino Properties Owned or Leased by Apple ¹
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

Notes:

- ¹ Unless specifically noted, current assessed property values have been provided by Apple. See Appendix Table A-3.
- ² It is not certain whether Apple will continue to occupy all buildings outside the boundaries of the Infinite Loop and Apple Campus 2 after the construction of Apple Campus 2. However, it has been assumed that if Apple does not continue to occupy all existing facilities, vacated space will be re-leased to other tenants without any change in assessed property values.
- ³ For purposes of this analysis, it has been assumed that: a) the total market value of Apple Campus 2 land and improvements is \$3 billion, per Apple Inc., distributed by TRA based on building square feet; and b) Personal Property values are consistent with the average per square foot value at 2012 Cupertino facilities (\$151 per sf).
- ⁴ The base property tax levy is 1%. Additional assessments per Santa Clara County Compilation of Tax Rates and Information books.
- ⁵ All of the properties outside Apple Campus 2, with the exception of five properties totaling \$121.1 million of value, are located within Tax Rate Area 13-003. In TRA 13-003 the City's share of the base tax levy is 5.65%. For two properties in TRA 13-006 (valued at \$56.6 million), the City receives 6.34% of the base levy, and for three properties in TRA 13-009 (valued at \$64.5 million), the City receives 5.60% of the base levy. Given the relatively minor impact of the difference between Cupertino's share of property tax in the five TRAs, the 5.65% rate has been applied to the parcels outside Apple Campus 2 for this analysis. Of the Apple Campus 2 parcels, three properties totaling \$410 million in value in 2012, and \$3 billion in value with future Apple Campus 2, are located in TRA 13-006 rather than TRA 13-003. Taxes on these parcels have been calculated separately for each TRA.
- ⁶ All of the properties outside Apple Campus 2, with the exception of five leased properties totaling \$72.0 million of value, are located within Tax Rate Area 13-003. In TRA 13-003 the City's share of the base tax levy is 5.65%. For two properties in TRA 13-006 (valued at \$8.7 million), the City receives 6.34% of the base levy, and for three properties in TRA 13-009 (valued at \$63.3 million), the City receives 5.60% of the base levy. Given the relatively minor impact of the difference between Cupertino's share of property tax in the five TRAs, the 5.65% rate has been applied to the parcels outside Apple Campus 2 for this analysis. Of the Apple Campus 2 parcels, three properties totaling \$218 million in value are located in TRA 13-006 rather than TRA 13-003. Taxes on these parcels have been calculated separately for each TRA.

Table 14c
Annual Sales and Use Tax Revenue to City of Cupertino Generated By Apple
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Cupertino, CA

	2010 Cupertino Facilities	2012 Cupertino Facilities	Future Cupertino Facilities w/ Apple Campus 2
Employment Factors ¹			
Infinite Loop and Apple Campus 2	3,000	3,000	10,400 <i>347% base</i>
Cupertino-Wide	13,000	16,000	23,400 <i>146% base</i>
Apple-Generated Local Sales Tax Sourced to Cupertino ²			
Q1 2011 or 2012	\$2,531,000	\$2,540,000	
Q2 2011 or 2012	\$2,868,000	\$2,553,000	
Q3 2011 or 2012	\$2,109,000	\$3,293,000	
Q4 2011 or 2012	<u>\$3,554,000</u>	<u>\$4,304,000</u>	
	\$11,062,000	\$12,690,000	
Cafeteria Sales Tax (included in total above) ³	\$13,000	\$82,000	\$284,000
Apple Sales Tax to Cupertino Net of Cafeteria ⁴	<u>\$11,049,000</u>	<u>\$12,608,000</u>	<u>\$12,608,000</u>
	\$11,062,000	\$12,690,000	\$12,892,000
(Less) Rebate to Apple ⁵	\$5,394,000	\$6,208,000	\$6,309,000
Annual Net Sales Tax Revenue to Cupertino from Apple-Generated Taxable Sales	<u>\$5,668,000</u>	<u>\$6,482,000</u>	<u>\$6,583,000</u>
Annual Use Tax Revenue to Cupertino from Apple Purchases of Its Own Products ⁶	\$0	\$0	\$772,000
Annual Use Tax Revenue to Cupertino from Apple Purchases of Equipment from Out of State Vendors ⁷	\$0	\$0	\$29,000
Total Annual Revenue to Cupertino from Apple	<u><u>\$5,668,000</u></u>	<u><u>\$6,482,000</u></u>	<u><u>\$7,384,000</u></u>

¹ Cafeteria, Apple Own-Use (AOU), and Out-of-State Vendor sales/purchases are expected to increase in proportion to employee growth. Cafeteria sales based on Infinite Loop employment; AOU and Out-of-State Vendor sales on citywide employment. Infinite Loop employment provided by Apple. Cupertino-wide facilities employment provided by Apple; see Table 1.

² Apple generates sales tax revenues to Cupertino from sales of Apple products and cafeteria sales. These sales tax revenues are subject to the sales tax sharing agreement with the City of Cupertino.

³ City sales tax revenues generated by the cafeteria at the Infinite Loop campus provided by Apple Inc.

⁴ Per Apple Inc., Apple-generated City sales tax revenues aside from cafeteria sales are expected to remain constant.

⁵ Rebate amount has been calculated pursuant to the terms of the June 2007 Agreement. Analysis assumes that the Agreement is extended. Under the Agreement, for each fiscal year, if City sales tax revenues exceed \$1 million, then Apple receives \$362,500 plus 50% of City sales tax in excess of \$1 million.

⁶ Apple purchases Apple products for its own use, such as the desktop computers used by Apple employees. These annual purchases total approximately \$52.8 million in 2012, which generate \$528,000 of annual local use tax revenue. These use tax revenues are sourced to another city in California. With the entitlements for Apple Campus 2, Apple intends to designate Cupertino as the point of sale for these purchases. These use tax revenues from AOU are considered "old revenues" under the tax sharing agreement and will therefore not be shared with Apple. 100% of the tax revenue will be retained by the City of Cupertino.

⁷ Apple pays city use taxes of approximately \$20,000 annually as of 2012 on equipment purchases from suppliers that do not have a California point-of-sale. Like the AOU taxes, these out-of-state purchases are currently sourced to another city, but will be transferred to Cupertino with entitlements for Apple Campus 2.

Table 14d
Annual Sales Taxes to City of Cupertino Generated by the Purchases of Apple Employee Residents
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

Retail Sales Category	2010 Cupertino Facilities		2012 Cupertino Facilities		Future Cupertino Facilities with Apple Campus 2	
	Potential Spending ¹	Sales Tax ²	Potential Spending ¹	Sales Tax ²	Potential Spending ¹	Sales Tax ²
	<i>1% sales</i>		<i>1% sales</i>		<i>1% sales</i>	
Comparison Retail						
General Merchandise	\$3,758,606	\$37,586	\$4,595,019	\$45,950	\$6,814,696	\$68,147
Clothing and Clothing Accessories	\$1,337,917	\$13,379	\$1,661,261	\$16,613	\$2,463,752	\$24,638
Home Furnishings and Appliance	\$1,145,128	\$11,451	\$1,401,122	\$14,011	\$2,077,950	\$20,779
Other Retail Group (incl. Drug Stores)	\$3,747,195	\$37,472	\$4,501,765	\$45,018	\$6,676,394	\$66,764
	<u>\$9,988,845</u>	<u>\$99,888</u>	<u>\$12,159,167</u>	<u>\$121,592</u>	<u>\$18,032,792</u>	<u>\$180,328</u>
Convenience Retail	\$1,351,324	\$13,513	\$1,625,698	\$16,257	\$2,411,011	\$24,110
Food Services and Drinking Places	\$4,394,355	\$43,944	\$5,383,124	\$53,831	\$7,983,504	\$79,835
Building Material and Garden Equipment	\$496,815	\$4,968	\$596,386	\$5,964	\$884,477	\$8,845
Automotive Retail						
Gasoline Stations	\$2,253,250	\$22,532	\$3,055,443	\$30,554	\$4,531,410	\$45,314
Motor Vehicle and Parts Dealers	\$207,844	\$2,078	\$264,948	\$2,649	\$392,934	\$3,929
	<u>\$2,461,093</u>	<u>\$24,611</u>	<u>\$3,320,391</u>	<u>\$33,204</u>	<u>\$4,924,344</u>	<u>\$49,243</u>
Total	\$18,692,433	\$186,924	\$23,084,767	\$230,848	\$34,236,128	\$342,361

¹ See Appendix A-4 through A-8.

² See Table 14.

Table 15
City of Cupertino Service Expenditure Assumptions 2010/11
Economic & Fiscal Impacts of Apple's Current and Future Facilities in Cupertino
Apple Inc.

General Fund

City Council and Commissions	\$536,000	Net Expenses in 2011/12 ¹ 25% Percent Variable Costs ² 68,972 Resident Equivalents ³ \$1.94 Per Resident Equivalent
Administration / City Manager	\$541,000	Net Expenses in 2011/12 ¹ 25% Percent Variable Costs ² 68,972 Resident Equivalents ³ \$1.96 Per Resident Equivalent
City Attorney	\$664,000	Net Expenses in 2011/12 ¹ 25% Percent Variable Costs ² 68,972 Resident Equivalents ³ \$2.41 Per Resident Equivalent
Law Enforcement	\$282,276	Average Cost per Deputy ⁴ 1 Deputy for Apple Campus 2 ⁵ \$282,276 Annual Cost for Apple Campus 2
	10,000	New Apple Campus 2 Employees ⁴ \$28,228 Annual Law Enforcement Cost per 1,000 Apple Employees
Public and Environmental Affairs	\$1,658,000	Net Expenses in 2011/12 ¹ 25% Percent Variable Costs ² 68,972 Resident Equivalents ³ \$6.01 Per Resident Equivalent
Administrative Services	\$4,542,000	Net Expenses in 2011/12 ¹ 25% Percent Variable Costs ² 68,972 Resident Equivalents ³ \$16.46 Per Resident Equivalent
Recreation Service ⁶	None	
Community Development ⁷	None	

Table 15
City of Cupertino Service Expenditure Assumptions 2010/11
Economic & Fiscal Impacts of Apple's Current and Future Facilities in Cupertino
Apple Inc.

General Fund (continued)

Public Works	\$11,800,000	Net Expenses in 2011/12 ¹
	<u>(\$3,034,000)</u>	Less Grounds (park, open space) Expenses ^{1, 6}
	\$8,766,000	
	65%	Percent Variable Costs ²
	68,972	Resident Equivalents ³
	\$82.61	Per Resident Equivalent
Transfers Out ⁸	\$2,263,000	Net Expenses in 2011/12 ¹
	65%	Percent Variable Costs ²
	68,972	Resident Equivalents ³
	\$21.33	Per Resident Equivalent

Notes:

¹ See Appendix A-2.

² A portion of each General Fund expense category is fixed, and does not vary regardless of the amount of development. The estimated percent of variable costs is based on the experiences of other cities.

³ See Table 13.

⁴ Average of patrol deputy and traffic enforcement deputy cost provided by the Santa Clara County Sheriff's Office.

⁵ Per SCC Sheriff's Office.

⁶ It is assumed that Apple employees will have a minimal impact on City recreation services.

⁷ It is the goal of the Community Development Department to cover service costs with fees, per the City of Cupertino Finance Department.

⁸ Ongoing General Fund transfers to funds that provide City services, including retiree medical, transportation projects, information technology, and compensated absence.

Table 15
City of Cupertino Service Expenditure Assumptions 2012/13
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

General Fund

City Council and Commissions	\$473,000	Net Expenses in 2012/13 ¹ 25% Percent Variable Costs ² 69,744 Resident Equivalents ³ \$1.70 Per Resident Equivalent
Administration / City Manager	\$554,000	Net Expenses in 2012/13 ¹ 25% Percent Variable Costs ² 69,744 Resident Equivalents ³ \$1.99 Per Resident Equivalent
City Attorney	\$690,000	Net Expenses in 2012/13 ¹ 25% Percent Variable Costs ² 69,744 Resident Equivalents ³ \$2.47 Per Resident Equivalent
Law Enforcement	\$282,276	Average Cost per Deputy ⁴ 1 Deputy for Apple Campus 2 ⁵ \$282,276 Annual Cost for Apple Campus 2
	10,000	New Apple Campus 2 Employees ⁴
	\$28,228	Annual Law Enforcement Cost per 1,000 Apple Employees
Public and Environmental Affairs	\$1,504,000	Net Expenses in 2012/13 ¹ 25% Percent Variable Costs ² 69,744 Resident Equivalents ³ \$5.39 Per Resident Equivalent
Administrative Services	\$4,420,000	Net Expenses in 2012/13 ¹ 25% Percent Variable Costs ² 69,744 Resident Equivalents ³ \$15.84 Per Resident Equivalent
Recreation Service ⁶	None	
Community Development ⁷	None	

Table 15
City of Cupertino Service Expenditure Assumptions 2012/13
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

General Fund (continued)

Public Works	\$12,728,000	Net Expenses in 2012/13 ¹
	<u>(\$3,601,000)</u>	Less Grounds (park, open space) Expenses ^{1, 6}
	\$9,127,000	
	65%	Percent Variable Costs ²
	69,744	Resident Equivalents ³
	\$85.06	Per Resident Equivalent
Transfers Out ⁸	\$2,645,000	Net Expenses in 2012/13 ¹
	65%	Percent Variable Costs ²
	69,744	Resident Equivalents ³
	\$24.65	Per Resident Equivalent

¹ See Appendix A-2.

² A portion of each General Fund expense category is fixed, and does not vary regardless of the amount of development. The estimated percent of variable costs is based on the experiences of other cities.

³ See Table 13.

⁴ Average of patrol deputy and traffic enforcement deputy cost provided by the Santa Clara County Sheriff's Office.

⁵ Per SCC Sheriff's Office.

⁶ It is assumed that Apple employees will have a minimal impact on City recreation services.

⁷ It is the goal of the Community Development Department to cover service costs with fees, per the City of Cupertino Finance Department.

⁸ Ongoing General Fund transfers to funds that provide City services, including retiree medical, transportation projects, information technology, and compensated absence.

Table 15a
Annual City of Cupertino Service Expenditures Generated by Apple
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

<u>General Fund Expenditure Category</u>			<u>2010 Cupertino Facilities</u>	<u>2012 Cupertino Facilities</u>	<u>Future Cupertino Facilities w/ Apple Campus 2</u>
	<i>employees</i> ¹	<i>resident equivs</i> ¹	13,000	16,000	23,400
			4,333	5,333	7,800
	<u>Estimating Factors</u> ²				
	<u>2010</u>	<u>2012</u>			
Council and Commissions	\$1.94	\$1.70 /res eq	\$8,419	\$9,043	\$13,225
Administration / City Manager	\$1.96	\$1.99 /res eq	\$8,497	\$10,591	\$15,490
City Attorney	\$2.41	\$2.47 /res eq	\$10,429	\$13,191	\$19,292
Law Enforcement	\$28,228	\$28,228 /1,000 empl	\$366,959	\$451,642	\$660,526
Public and Environmtl Affairs	\$6.01	\$5.39 /res eq	\$26,042	\$28,753	\$42,051
Administrative Services	\$16.46	\$15.84 /res eq	\$71,341	\$84,500	\$123,581
Public Works	\$82.61	\$85.06 /res eq	\$357,984	\$453,663	\$663,482
Transfers Out	\$21.33	\$24.65 /res eq	\$92,416	\$131,471	\$192,277
Total General Fund Expenditures			\$942,087	\$1,182,853	\$1,729,922

¹ See Table 12.

² See Table 15.

Table 16
Estimated Apple Campus 2 Construction-Related Government Tax / Fee Payments
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

Fee Category	Average Fee ¹
City of Cupertino Construction Tax	\$10,570,000
City of Cupertino Fees	
Permitting Fees	
Application / Planning / Legal Review	\$438,000
Plan Check	\$228,000
Building Permit	\$1,673,500
Advanced Planning	\$1,714,000
Grading Permit	\$3,180,000
Parcel Map	\$4,000
Other	TBD
	<u>\$7,237,500</u>
Public Facility Fees	
Water Connection	TBD
Sanitary Connection	TBD
Encroachment	\$2,688,000
Street Vacation	\$1,000
Storm Water Management	\$875,000
Storm Sewer Impact #1	\$170,000
Public Art	\$100,000
BMR (Housing Impact)	\$2,500,000
	<u>\$6,334,000</u>
Total City of Cupertino Fees	\$13,571,500
Other Agency Fees	
Seismic (State)	\$277,000
BSC (State)	\$33,000
Santa Clara Unified School District	\$176,000
Cupertino School District	\$28,000
	<u>\$514,000</u>
Total Estimated Tax and Fee Payments	<u>\$24,655,500</u>

¹ Fees can be calculated based on floor area or staff time. These fees reflect an average of both methods.

Source: Apple Inc.

Table 17
Summary Annual Sales and Use Tax Revenue to the Santa Clara Valley Transportation Authority Generated By Apple Sales in Cupertino ¹
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino Cupertino, CA

	2010 Cupertino Facilities	2012 Cupertino Facilities	Future Cupertino Facilities w/ Apple Campus 2
Total Taxable Apple Sales in Cupertino ²	\$1,106,200,000	\$1,269,000,000	\$1,369,292,000
Sales and Use Tax Revenue to Santa Clara VTA ³			
Santa Clara County Transit District 1976 1/2 Cent	\$5,531,000	\$6,345,000	\$6,846,000
Santa Clara VTA 2000 Measure A 1/2 Cent	\$5,531,000	\$6,345,000	\$6,846,000
Santa Clara VTA BART O&M 2008 Meas B 1/8 Cent	\$1,383,000	\$1,586,000	\$1,712,000
	\$12,445,000	\$14,276,000	\$15,404,000

¹ This sales and use tax estimate does not include taxes generated by purchases from Apple vendors county-wide.

² Based on Table 18.

³ Sales tax rates to the Santa Clara Valley Transportation Authority, per California State Board of Equalization, *District Taxes, Rates and Effective/End Dates*, effective April 2013.

Table 18
Annual Sales and Use Tax Revenue to the Santa Clara Valley Transportation Authority Generated
By Apple Sales in Cupertino
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Cupertino, CA

		<u>2010 Cupertino Facilities</u>	<u>2012 Cupertino Facilities</u>	<u>Future Cupertino Facilities w/ Apple Campus 2</u>
Employment Factors ¹				
Infinite Loop and Apple Campus 2		3,000	3,000	10,400 <i>347% base</i>
Cupertino-Wide		13,000	16,000	23,400 <i>146% base</i>
Apple-Generated Local Sales Tax				
Sourced to Cupertino ²				
Q1 2011 or 2012		\$2,531,000	\$2,540,000	
Q2 2011 or 2012		\$2,868,000	\$2,553,000	
Q3 2011 or 2012		\$2,109,000	\$3,293,000	
Q4 2011 or 2012		<u>\$3,554,000</u>	<u>\$4,304,000</u>	
		\$11,062,000	\$12,690,000	
Cafeteria Sales Tax (included in total above) ³		\$13,000	\$82,000	\$284,000
Apple Sales Tax to Cupertino Net of Cafeteria ⁴		\$11,049,000	\$12,608,000	\$12,608,000
Total Apple-Generated Local Sales ⁵				
Apple Cafeteria Sales	1.00%	\$1,300,000	\$8,200,000	\$28,400,000
Apple-Generated Local Sales Net of Cafeteria	1.00%	<u>\$1,104,900,000</u>	<u>\$1,260,800,000</u>	<u>\$1,260,800,000</u>
		\$1,106,200,000	\$1,269,000,000	\$1,289,200,000
Apple-Generated Local Sales Tax to VTA ⁶				
Sta Clara County Transit District 1976 1/2 Cent	0.50%	\$5,531,000	\$6,345,000	\$6,446,000
Sta Clara VTA 2000 Measure A 1/2 Cent	0.50%	\$5,531,000	\$6,345,000	\$6,446,000
Sta Clara VTA BART O&M 2008 Meas B 1/8 Cent	<u>0.125%</u>	<u>\$1,383,000</u>	<u>\$1,586,000</u>	<u>\$1,612,000</u>
	1.125%	<u>\$12,445,000</u>	<u>\$14,276,000</u>	<u>\$14,504,000</u>
Annual Use Tax Revenue to VTA from Apple	1.125%	\$0	\$0	\$868,000
Purchases of Its Own Products ⁷				
Annual Use Tax Revenue to VTA from Apple	1.125%	\$0	\$0	\$33,000
Purchases of Equipment from Out of State				
Vendors ⁸				
Total Direct Annual Revenue to VTA from Apple		<u><u>\$12,445,000</u></u>	<u><u>\$14,276,000</u></u>	<u><u>\$15,405,000</u></u>

¹ Cafeteria, Apple Own-Use (AOU), and Out-of-State Vendor sales/purchases are expected to increase in proportion to employee growth. Cafeteria sales based on Infinite Loop employment; AOU and Out-of-State Vendor sales on citywide employment. Infinite Loop employment provided by Apple. Cupertino-wide facilities employment provided by Apple; see Table 1.

² 1% sales tax revenues to Cupertino from sales of Apple products and cafeteria sales, per Apple Inc.

³ City sales tax revenues generated by the cafeteria at the Infinite Loop campus provided by Apple Inc.

⁴ Per Apple Inc., Apple-generated City sales tax revenues aside from cafeteria sales are expected to remain constant.

⁵ Sales that produce the 1% taxes to Cupertino reported by Apple Inc.

⁶ Sales tax rates to the Santa Clara Valley Transportation Authority, per California State Board of Equalization, *District Taxes, Rates and Effective/End Dates*, effective April 2013.

⁷ Apple purchases Apple products for its own use, such as the desktop computers used by Apple employees. These annual purchases totaled approximately \$52.8 million in 2012. These sales are sourced to another city in California. With the entitlements for Apple Campus 2, Apple intends to designate Cupertino as the point of sale for these purchases.

⁸ Apple pays city use taxes of approximately \$20,000 annually as of 2012 on equipment purchases from suppliers that do not have a California point-of-sale. Like the AOU taxes, these out-of-state purchases are currently sourced to another city, but will be transferred to Cupertino with entitlements for Apple Campus 2.

Appendix A-1
Summary of City of Cupertino General Fund Revenue Sources in FY 2011/12 ¹
Economic & Fiscal Impacts of Apple's Current and Future Facilities in Cupertino
Apple Inc.

Revenue Category	FY 2011/12 Budget	Basis of KMA Projections	
		Current Cupertino Facilities	Future Facilities w/ Apple Campus 2
<u>Included in the Analysis</u>			
Taxes			
Property Tax (incl. In-Lieu of MVLF ²)	\$11,951,000	assessed value, City sh. of 1% tax	est. devel. value, City sh. of 1% tax
Sales and Use Tax	\$14,283,000	provided by client	extrapolate from existing
Transient Occupancy Tax	\$2,590,000	provided by client; rate is 12% rm. rev.	extrapolate from existing
Utility Users Tax	\$3,540,000	provided by client	extrapolate from existing
Franchise Fees	\$2,860,000	resident equivalents	resident equivalents
Other Taxes (bus. lic., prop. transf., cxn.)	\$1,190,000	rates from Municipal Code	rates from Municipal Code
	<u>\$36,414,000</u>		
Intergovernmental - Motor Vehicle Lic. Fees	\$240,000	no residents; this is a per capita rev.	no residents; this is a per capita rev.
Charges for Services - Other Service Charges	\$92,000	resident equivalents	resident equivalents
Fines and Forfeitures	\$650,000	resident equivalents	resident equivalents
Total Revenue Included	<u>\$37,396,000</u>		
<u>Deducted from Service Costs</u>			
Licenses and Permits	\$2,618,000	deduct from Community Development	deduct from Community Development
Charges for Services			
Zoning and Planning Fees	\$443,000	deduct from Community Development	deduct from Community Development
Engineering Fees	\$412,000	deduct from Public Works	deduct from Public Works
Senior Center	\$440,000	deduct from Recreation	deduct from Recreation
Blackberry Farm / Youth & Teen Programs	\$165,000	deduct from Recreation	deduct from Recreation
	<u>\$1,460,000</u>		
Total Deducted from Service Costs	<u>\$4,078,000</u>		

Appendix A-1
Summary of City of Cupertino General Fund Revenue Sources in FY 2011/12 ¹
Economic & Fiscal Impacts of Apple's Current and Future Facilities in Cupertino
Apple Inc.

Revenue Category	FY 2011/12 Budget	Basis of KMA Projections	
		Current Cupertino Facilities	Future Facilities w/ Apple Campus 2
<u>Excluded from the Analysis</u>			
Use of Money and Property		independent of project	independent of project
Investment Earnings	\$400,000		
Property Rentals	\$569,000		
	<u>\$969,000</u>		
Intergovernmental		independent of project	independent of project
Grants	\$130,000		
Other Intergovernmental	\$185,000		
	<u>\$315,000</u>		
Miscellaneous	\$100,000	independent of project	independent of project
Transfers In / Other Revenues		independent of project	independent of project
Information Technology & Traffic Impact	\$30,000		
Capital Reserves	\$5,000		
	<u>\$35,000</u>		
Total Excluded	<u>\$1,419,000</u>		
Total General Fund Revenue	<u><u>\$42,893,000</u></u>		

¹ For funding City departmental services.

² Per Cupertino's 2009/2010 Comprehensive Annual Financial Report, Property Tax was \$7.49 million and Property Tax In-Lieu of Motor Vehicle Fees was \$4.42 million

Source: City of Cupertino Adopted Budget Fiscal Year 2011-12.

Appendix A-1
Summary of City of Cupertino General Fund Revenue Sources in FY 2012/13 ¹
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

Revenue Category	FY 2012/13 Budget	Basis of KMA Projections	
		Current Cupertino Facilities	Future Facilities w/ Apple Campus 2
<u>Included in the Analysis</u>			
Taxes			
Property Tax (incl. In-Lieu of MVLF ²)	\$12,558,000	assessed value, City sh. of 1% tax	est. devel. value, City sh. of 1% tax
Sales and Use Tax	\$10,492,000	provided by client	extrapolate from existing
Transient Occupancy Tax	\$3,252,000	provided by client; rate is 12% rm. rev.	extrapolate from existing
Utility Users Tax	\$3,359,000	provided by client	extrapolate from existing
Franchise Fees	\$2,845,000	resident equivalents	resident equivalents
Other Taxes (bus. lic., prop. transf., cxn.)	\$1,558,000	rates from Municipal Code	rates from Municipal Code
	<u>\$34,064,000</u>		
Intergovernmental - Motor Vehicle Lic. Fees	\$0	no longer paid to cities	no longer paid to cities
Charges for Services - Other Service Charges	\$93,000	resident equivalents	resident equivalents
Fines and Forfeitures	\$650,000	resident equivalents	resident equivalents
Total Revenue Included	<u>\$34,807,000</u>		
<u>Deducted from Service Costs</u>			
Licenses and Permits	\$4,346,000	deduct from Community Development	deduct from Community Development
Charges for Services			
Zoning and Planning Fees	\$872,000	deduct from Community Development	deduct from Community Development
Engineering Fees	\$424,000	deduct from Public Works	deduct from Public Works
Senior Center	\$530,000	deduct from Recreation	deduct from Recreation
Blackberry Farm / Youth & Teen Programs	\$165,000	deduct from Recreation	deduct from Recreation
	<u>\$1,991,000</u>		
Total Deducted from Service Costs	<u>\$6,337,000</u>		

Appendix A-1
Summary of City of Cupertino General Fund Revenue Sources in FY 2012/13 ¹
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

Revenue Category	FY 2012/13 Budget	Basis of KMA Projections	
		Current Cupertino Facilities	Future Facilities w/ Apple Campus 2
<u>Excluded from the Analysis</u>			
Use of Money and Property		independent of project	independent of project
Investment Earnings	\$300,000		
Property Rentals	\$575,000		
	<u>\$875,000</u>		
Intergovernmental		independent of project	independent of project
Grants	\$130,000		
Other Intergovernmental	\$185,000		
	<u>\$315,000</u>		
Miscellaneous	\$100,000	independent of project	independent of project
Specific Revenues	\$22,729,000	one-time rev., not on-going	one-time rev., not on-going
State Borrowing	\$1,504,000	one-time pay-back; indep. of project	one-time pay-back; indep. of project
Transfers In / Other Revenues		independent of project	independent of project
Information Technology & Traffic Impact	\$0		
Capital Reserves	\$0		
	<u>\$0</u>		
Total Excluded	<u>\$25,523,000</u>		
Total General Fund Revenue	<u><u>\$66,667,000</u></u>		

¹ For funding City departmental services.

² Per Cupertino's 2009/2010 Comprehensive Annual Financial Report, Property Tax was \$7.49 million and Property Tax In-Lieu of Motor Vehicle Fees was \$4.42 million

Source: City of Cupertino Adopted Budget Fiscal Year 2012-13.

Appendix A-2**Summary of City of Cupertino General Fund Budget Expenditures in FY 2011/12 ¹
Economic & Fiscal Impacts of Apple's Current and Future Facilities in Cupertino
Apple Inc.**

Expenditure Category	FY 2011/12 Budget
Council and Commissions	
City Council	\$313,000
Commissions	\$223,000
	<u>\$536,000</u>
Administration	
City Manager	\$417,000
Community Outreach	\$89,000
City Manager Discretionary Fund	\$35,000
	<u>\$541,000</u>
City Attorney	\$664,000
Law Enforcement	
Law Enforcement	\$8,842,000
Interoperability Project	\$38,000
Citizens Option for Public Safety	\$100,000
	<u>\$8,980,000</u>
Public & Environmental Affairs (incl. Community Relations, Government Channel, Web Site)	\$1,658,000
Administrative Services (incl. Administration, Library, Accounting, City Clerk, Human Res.)	\$4,542,000
Recreation Service	
Recreation Administration	\$370,000
Leadership 95014	\$19,000
Facilities / Parks / Blackberry Farm / Events	\$1,757,000
Youth & Teen Programs / McClellan Ranch	\$543,000
Sports & Fitness / Monte Vista / Creekside Park	\$291,000
Senior Center / Stevens Creek Trail / Blue Pheasant	\$1,264,000
	<u>\$4,244,000</u>
(Less) Senior Center	(\$440,000)
(Less) Blackberry Farm / Youth & Teen Programs	(\$165,000)
	<u>(\$605,000)</u>
	<u><u>\$3,639,000</u></u>

Appendix A-2**Summary of City of Cupertino General Fund Budget Expenditures in FY 2011/12 ¹
Economic & Fiscal Impacts of Apple's Current and Future Facilities in Cupertino
Apple Inc.**

Expenditure Category	FY 2011/12 Budget
Community Development	
Planning Administration	\$285,000
Current Planning	\$993,000
Mid and Long Range Planning	\$225,000
Economic Development	\$324,000
Human Service Grants	\$41,000
General Building	\$957,000
Construction Plan Checking	\$494,000
Building Code Enforcement	\$815,000
	<u>\$4,134,000</u>
(Less) Licenses and Permits	(\$2,618,000)
(Less) Zoning and Planning Fees	(\$443,000)
	<u>(\$3,061,000)</u>
	<u>\$1,073,000</u>
Public Works	
Administration	\$670,000
Engineering	\$1,231,000
Service Center Administration	\$868,000
Grounds	\$3,034,000
Streets	\$2,331,000
Facilities	\$2,977,000
Traffic Management	\$1,101,000
	<u>\$12,212,000</u>
(Less) Engineering Fees	(\$412,000)
	<u>\$11,800,000</u>
Transfers Out ²	
Transportation Projects & Maintenance	\$750,000
Environmental Management / Clean Creeks / Storm Drain	\$68,000
Equipment Fund	\$45,000
Information Technology Fund	\$200,000
Compensated Absence	\$200,000
Retiree Medical	\$1,000,000
	<u>\$2,263,000</u>
Total Expenditures	\$39,774,000
Expenditures Net of Off-Setting Revenues	<u>\$35,696,000</u>

¹ Cost recovery items (negative amounts) are from revenue items listed on Appendix A-1.

² Ongoing General Fund transfers to funds that provide City services.

Source: City of Cupertino Adopted Budget Fiscal Year 2011-12.

Appendix A-2**Summary of City of Cupertino General Fund Budget Expenditures in FY 2012/13 ¹
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.**

Expenditure Category	FY 2012/13 Budget
Council and Commissions	
City Council	\$251,000
Commissions	\$222,000
	<u>\$473,000</u>
Administration	
City Manager	\$395,000
Community Outreach	\$124,000
City Manager Discretionary Fund	\$35,000
	<u>\$554,000</u>
City Attorney	\$690,000
Law Enforcement	
Law Enforcement	\$8,953,000
Interoperability Project	\$45,000
Citizens Option for Public Safety	\$100,000
	<u>\$9,098,000</u>
Public & Environmental Affairs (incl. Community Relations, Government Channel, Web Site)	\$1,504,000
Administrative Services (incl. Administration, Library, Accounting, City Clerk, Human Res.)	\$4,420,000
Recreation Service	
Recreation Administration	\$391,000
Leadership 95014	\$21,000
Facilities / Parks / Blackberry Farm / Events	\$1,794,000
Youth & Teen Programs / McClellan Ranch	\$580,000
Sports & Fitness / Monte Vista / Creekside Park	\$316,000
Senior Center / Stevens Creek Trail / Blue Pheasant	\$1,375,000
	<u>\$4,477,000</u>
(Less) Senior Center	(\$530,000)
(Less) Blackberry Farm / Youth & Teen Programs	(\$165,000)
	<u>(\$695,000)</u>
	<u><u>\$3,782,000</u></u>

Appendix A-2**Summary of City of Cupertino General Fund Budget Expenditures in FY 2012/13 ¹
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.**

Expenditure Category	FY 2012/13 Budget
Community Development	
Planning Administration	\$292,000
Current Planning	\$1,039,000
Mid and Long Range Planning	\$550,000
Economic Development	\$240,000
Human Service Grants	\$41,000
General Building	\$772,000
Construction Plan Checking	\$522,000
Building Code Enforcement	\$886,000
	<u>\$4,342,000</u>
(Less) Licenses and Permits	(\$4,346,000)
(Less) Zoning and Planning Fees	(\$872,000)
	<u>(\$5,218,000)</u>
	<u>(\$876,000)</u>
Public Works	
Administration	\$706,000
Engineering	\$1,326,000
Service Center Administration	\$774,000
Grounds	\$3,601,000
Streets	\$2,835,000
Facilities	\$2,861,000
Traffic Management	\$1,049,000
	<u>\$13,152,000</u>
(Less) Engineering Fees	(\$424,000)
	<u>\$12,728,000</u>
RDA Successor Agency (FY 2012/13 only)	\$0
Transfers Out ²	
Transportation Projects & Maintenance	\$2,150,000
Environmental Management / Clean Creeks / Storm Drain	\$100,000
Equipment Fund	\$45,000
Information Technology Fund	\$200,000
Compensated Absence	\$150,000
Retiree Medical	\$0
	<u>\$2,645,000</u>
Total Expenditures	\$41,355,000
Expenditures Net of Off-Setting Revenues	<u>\$35,018,000</u>

¹ Cost recovery items (negative amounts) are from revenue items listed on Appendix A-1.

² Ongoing General Fund transfers to funds that provide City services.

Source: City of Cupertino Adopted Budget Fiscal Year 2012-13.

Appendix A-3
 Cupertino Real Estate Owned or Leased by Apple in 2010
 Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
 Apple Inc.
 Summary

												<u>Data From Apple</u>	
Parcel	Owner	Address	Acres	Building SqFt	Tax Rate Area	Land	Improvements	Total Real Property	Improvements	Fixtures	Personal Property	Total Property	
<i>Total Infinite Loop Apple Owned</i>			5.88	856,000		\$50,414,039	\$108,788,272	\$159,202,311	\$0	\$35,427,397	\$95,133,002	\$289,762,710	
<i>Total Infinite Loop Apple Leased</i>			17.74	342,579		\$5,962,649	\$44,329,169	\$50,291,818	\$1,894,608	\$34,939,443	\$66,892,821	\$154,018,690	
Total Infinite Loop			23.62	1,198,579		\$56,376,688	\$153,117,441	\$209,494,129	\$1,894,608	\$70,366,840	\$162,025,823	\$443,781,400	
<i>Total Campus 2 Apple Owned</i>			172.73	2,711,589		\$178,395,526	\$325,517,035	\$503,912,561	\$8,040	\$23,300,074	\$10,566,547	\$537,787,222	
<i>Total Campus 2 Apple Leased</i>			-	-		\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Apple Campus 2			172.73	2,711,589		\$178,395,526	\$325,517,035	\$503,912,561	\$8,040	\$23,300,074	\$10,566,547	\$537,787,222	
<i>Total Other Existing Apple Owned Properties</i>			29.93	530,451		\$71,159,470	\$39,796,105	\$110,955,575	\$0	\$8,551,958	\$39,612,879	\$159,120,412	
<i>Total Other Existing Apple Leased Properties</i>			102.87	2,132,070		\$118,146,571	\$202,688,642	\$320,835,213	\$9,554,962	\$57,247,832	\$80,602,826	\$468,240,833	
Total Other Existing Apple Properties			132.80	2,662,521		\$189,306,041	\$242,484,747	\$431,790,788	\$9,554,962	\$65,799,790	\$120,215,705	\$627,361,245	
<i>Total Apple Owned Properties</i>			208.54	4,098,040		\$299,969,035	\$474,101,412	\$774,070,447	\$8,040	\$67,279,429	\$145,312,428	\$986,670,344	
<i>Total Apple Leased Properties</i>			120.61	2,474,649		\$124,109,220	\$247,017,811	\$371,127,031	\$11,449,570	\$92,187,275	\$147,495,647	\$622,259,523	
Total Apple Properties			329.15	6,572,689		\$424,078,255	\$721,119,223	\$1,145,197,478	\$11,457,610	\$159,466,704	\$292,808,075	\$1,608,929,867	

Data provided by Apple.

Appendix A-3
 Cupertino Real Estate Owned or Leased by Apple in 2012
 Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
 Apple Inc.

Summary											Data From Apple	
Parcel	Owner	Address	Acres	Building SqFt	Tax Rate Area	Land	Improvemnts	Total Real Property	Imprvmts	Fixtures	Personal Property	Total Property
<i>Total Infinite Loop Apple Owned</i>			5.88	856,000		\$51,422,315	\$160,398,585	\$211,820,900	\$0	\$0	\$142,620,517	\$354,441,417
<i>Total Infinite Loop Apple Leased</i>			17.74	342,579		\$6,081,901	\$45,251,751	\$51,333,652	\$1,784,710	\$35,705,129	\$60,534,897	\$149,358,388
Total Infinite Loop			23.62	1,198,579		\$57,504,216	\$205,650,336	\$263,154,552	\$1,784,710	\$35,705,129	\$203,155,414	\$503,799,805
<i>Total Campus 2 Apple Owned</i>			163.37	2,711,859		\$592,163,645	\$131,435,077	\$723,598,722	\$0	\$20,336,599	\$52,761,454	\$796,696,775
<i>Total Campus 2 Apple Leased</i>			-	-		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Apple Campus 2			163.37	2,711,859		\$592,163,645	\$131,435,077	\$723,598,722	\$0	\$20,336,599	\$52,761,454	\$796,696,775
<i>Total Other Existing Apple Owned Properties</i>			45.15	783,021		\$81,133,226	\$44,295,086	\$125,428,312	\$19,173,610	\$11,783,426	\$46,167,639	\$202,552,987
<i>Total Other Existing Apple Leased Properties</i>			73.91	1,605,337		\$136,650,820	\$243,213,595	\$379,864,415	\$33,183,345	\$86,824,895	\$104,605,937	\$604,478,592
Total Other Existing Apple Properties			119.06	2,388,358		\$217,784,046	\$287,508,681	\$505,292,727	\$52,356,955	\$98,608,321	\$150,773,576	\$807,031,579
<i>Total Apple Owned Properties</i>			214.40	4,350,880		\$724,719,186	\$336,128,748	\$1,060,847,934	\$19,173,610	\$32,120,025	\$241,549,610	\$1,353,691,179
<i>Total Apple Leased Properties</i>			91.65	1,947,916		\$142,732,721	\$288,465,346	\$431,198,067	\$34,968,055	\$122,530,024	\$165,140,834	\$753,836,980
Total Apple Properties			306.05	6,298,796		\$867,451,907	\$624,594,094	\$1,492,046,001	\$54,141,665	\$154,650,049	\$406,690,444	\$2,107,528,159

Data provided by Apple.

Appendix A-4a
Taxable Retail Sales Import and Export 2010
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

Retail Sales Category	Nine-County Bay Area			Cupertino				Sunnyvale				Santa Clara			
	2009		%	Per Capita	Aggregate	2009		Per Capita	Aggregate	2009		Per Capita	Aggregate	2009	
	Taxable Sales (\$1,000s) ¹	Per Capita ²	Per Capita Income ²	Potential Demand (\$1,000s) ²	Potential Demand (\$1,000s) ²	Taxable Sales (\$1,000s) ¹	Import / (Export) (\$1,000s)	Potential Demand (\$1,000s) ²	Potential Demand (\$1,000s) ²	Taxable Sales (\$1,000s) ¹	Import / (Export) (\$1,000s)	Potential Demand (\$1,000s) ²	Potential Demand (\$1,000s) ²	Taxable Sales (\$1,000s) ¹	Import / (Export) (\$1,000s)
		7,150,739	\$36,388	\$48,994	\$2,586,134			\$42,525	\$5,956,945			\$35,188	\$4,098,276		
		pop'n.	income	income	agg. income			income	agg. income			income	agg. income		
Comparison Retail															
General Merchandise	\$8,603,794	\$1,203	3.3%	\$1,620	\$85,513	\$118,669	\$33,156	\$1,406	\$196,972	n/a	n/a	\$1,164	\$135,513	\$168,178	\$32,665
Clothing and Accessories	\$6,125,229	\$857	2.4%	\$1,153	\$60,879	\$28,175	(\$32,704)	\$1,001	\$140,229	\$35,679	(\$104,550)	\$828	\$96,475	\$74,713	(\$21,762)
Home Furnishings, Appliance	\$5,242,606	\$733	2.0%	\$987	\$52,106	n/a	n/a	\$857	\$120,022	\$135,517	\$15,495	\$709	\$82,573	\$157,029	\$74,456
Other Retail (incl. Drug Stores)	\$8,577,674	\$1,200	3.3%	\$1,615	\$85,253	\$211,525	\$126,272	\$1,402	\$196,374	\$269,852	\$73,478	\$1,160	\$135,102	\$125,861	(\$9,241)
	\$28,549,303	\$3,992	11.0%	\$5,376	\$283,751	\$358,369	\$74,618	\$4,666	\$653,597	\$441,048	(\$212,549)	\$3,861	\$449,663	\$525,781	\$76,118
Convenience Retail	\$4,639,959	\$649	1.8%	\$874	\$46,116	\$31,404	(\$14,712)	\$758	\$106,225	\$72,522	(\$33,703)	\$627	\$73,081	\$81,996	\$8,915
Food Svcs., Drinking Places	\$11,316,469	\$1,583	4.3%	\$2,131	\$112,474	\$103,109	(\$9,365)	\$1,849	\$259,075	\$189,236	(\$69,839)	\$1,530	\$178,239	\$255,039	\$76,800
Bldg. Matl. and Garden Equip.	\$5,117,645	\$716	2.0%	\$964	\$50,864	\$14,096	(\$36,768)	\$836	\$117,161	\$137,191	\$20,030	\$692	\$80,605	\$69,871	(\$10,734)
Automotive Retail															
Gasoline Stations	\$7,141,702	\$999	2.7%	\$1,345	\$70,981	\$50,972	(\$20,009)	\$1,167	\$163,499	\$114,180	(\$49,319)	\$966	\$112,485	\$122,529	\$10,044
Motor Vehicle, Parts Dealers	\$8,563,922	\$1,198	3.3%	\$1,613	\$85,117	\$3,016	(\$82,101)	\$1,400	\$196,059	\$302,837	\$106,778	\$1,158	\$134,885	\$408,833	\$273,948
	\$15,705,624	\$2,196	6.0%	\$2,957	\$156,098	\$53,988	(\$102,110)	\$2,567	\$359,559	\$417,017	\$57,458	\$2,124	\$247,370	\$531,362	\$283,992
Total Taxable Sales	\$65,329,000	\$9,136	25.1%	\$12,301	\$649,304	\$560,966	(\$88,338)	\$10,677	\$1,495,617	\$1,257,014	(\$238,603)	\$8,835	\$1,028,959	\$1,464,049	\$435,090

¹ California State Board of Equalization, Taxable Sales in California During 2009. Sales "not available" are omitted by BOE because their publication would result in the disclosure of confidential information.

² Population and income per U.S. Census American Community Survey: 2005-2009 5-Year Estimate and 2010 Census data sets.

Appendix A-4b
Taxable Retail Sales Import and Export 2012
Economic & Fiscal Impacts of Apple's Current and Future Facilities in Cupertino
Apple Inc.

Retail Sales Category	Nine-County Bay Area			Cupertino				Sunnyvale				Santa Clara			
	2010		%	Per Capita	Aggregate	2010		Per Capita	Aggregate	2010		Per Capita	Aggregate	2010	
	Taxable Sales (\$1,000s) ¹	Per Capita ²	Per Capita Income ²	Potential Demand (\$1,000s) ²	Potential Demand (\$1,000s) ²	Taxable Sales (\$1,000s) ¹	Import / (Export) (\$1,000s)	Potential Demand (\$1,000s) ²	Potential Demand (\$1,000s) ²	Taxable Sales (\$1,000s) ¹	Import / (Export) (\$1,000s)	Potential Demand (\$1,000s) ²	Potential Demand (\$1,000s) ²	Taxable Sales (\$1,000s) ¹	Import / (Export) (\$1,000s)
		7,081,266	\$39,478	\$51,965	\$2,985,843			\$44,617	\$6,176,584			\$39,523	\$4,524,620		
		pop'n.	income	income	agg. income			income	agg. income			income	agg. income		
Comparison Retail															
General Merchandise	\$8,954,113	\$1,264	3.2%	\$1,664	\$95,636	\$109,671	\$14,035	\$1,429	\$197,836	\$184,228	(\$13,608)	\$1,266	\$144,923	\$191,289	\$46,365
Clothing and Accessories	\$6,474,453	\$914	2.3%	\$1,204	\$69,152	\$30,624	(\$38,528)	\$1,033	\$143,049	\$37,572	(\$105,477)	\$915	\$104,790	\$76,819	(\$27,971)
Home Furnishings, Appliance	\$5,460,609	\$771	2.0%	\$1,015	\$58,323	n/a	n/a	\$872	\$120,649	\$127,289	\$6,640	\$772	\$88,381	\$190,938	\$102,558
Other Retail (incl. Drug Stores)	\$8,772,391	\$1,239	3.1%	\$1,631	\$93,696	\$247,395	\$153,700	\$1,400	\$193,821	\$130,517	(\$63,304)	\$1,240	\$141,982	\$124,015	(\$17,968)
	\$29,661,566	\$4,189	10.6%	\$5,514	\$316,807	\$387,691	\$70,883	\$4,734	\$655,355	\$479,606	(\$175,748)	\$4,194	\$480,076	\$583,061	\$102,985
Convenience Retail	\$4,751,891	\$671	1.7%	\$883	\$50,754	\$32,875	(\$17,879)	\$758	\$104,990	\$72,810	(\$32,180)	\$672	\$76,910	\$81,430	\$4,520
Food Svcs., Drinking Places	\$11,801,091	\$1,667	4.2%	\$2,194	\$126,044	\$112,432	(\$13,612)	\$1,883	\$260,738	\$200,970	(\$59,768)	\$1,668	\$191,002	\$269,201	\$78,199
Bldg. Matl. and Garden Equip.	\$5,229,682	\$739	1.9%	\$972	\$55,857	\$15,436	(\$40,421)	\$835	\$115,547	\$157,203	\$41,657	\$739	\$84,643	\$64,007	(\$20,636)
Automotive Retail															
Gasoline Stations	\$8,244,012	\$1,164	2.9%	\$1,532	\$88,052	\$61,019	(\$27,033)	\$1,316	\$182,147	\$128,113	(\$54,034)	\$1,166	\$133,430	\$145,742	\$12,312
Motor Vehicle, Parts Dealers	\$9,293,253	\$1,312	3.3%	\$1,727	\$99,259	\$2,767	(\$96,492)	\$1,483	\$205,329	\$296,937	\$91,608	\$1,314	\$150,412	\$463,912	\$313,499
	\$17,537,265	\$2,477	6.3%	\$3,260	\$187,311	\$63,786	(\$123,525)	\$2,799	\$387,475	\$425,050	\$37,574	\$2,479	\$283,843	\$609,654	\$325,811
Total Taxable Sales	\$68,981,496	\$9,741	24.7%	\$12,823	\$736,773	\$612,219	(\$124,553)	\$11,009	\$1,524,105	\$1,335,640	(\$188,465)	\$9,753	\$1,116,474	\$1,607,352	\$490,878

¹ CA Board of Equalization - Taxable Sales in California Report By Type of Business for Cities and Counties - 2010. Sales "not available" are omitted by BOE because their publication would result in the disclosure of confidential information.

² Population and income per U.S. Census, American Community Survey, 2007-2011 5-Year Estimates.

Appendix A-5
Taxable Retail Sales Generated by 2010 Cupertino Facilities Employees
Economic & Fiscal Impacts of Apple's Current and Future Facilities in Cupertino
Apple Inc.

Retail Sales Category	Nine-County Bay Area Sales			Cupertino Residents Sales			Sunnyvale Residents Sales			Santa Clara Residents Sales		
	2009 Taxable Sales (\$1,000s) ¹	Per Capita ²	% Per Capita Income ²	Demand Potential (\$1,000s) ³	% Capture in Cup. ⁴	Potential Spending in Cupertino	Demand Potential (\$1,000s) ³	% Capture in Sun. ⁴	Potential Spending in Sunnyvale	Demand Potential (\$1,000s) ³	% Capture in Sta. Clara ⁴	Potential Spending in Sta. Clara
		7,150,739 <i>pop'n.</i>	\$36,388 <i>income</i>	\$126,300 <i>payroll</i>			\$127,400 <i>payroll</i>		\$80,300 <i>payroll</i>			
Comparison Retail												
General Merchandise	\$8,603,794	\$1,203	3.3%	\$4,176	90%	\$3,758,606	\$4,213	75%	\$3,159,451	\$2,655	90%	\$2,389,676
Clothing and Accessories	\$6,125,229	\$857	2.4%	\$2,973	45%	\$1,337,917	\$2,999	20%	\$599,809	\$1,890	75%	\$1,417,719
Home Furnishings, Appliance	\$5,242,606	\$733	2.0%	\$2,545	45%	\$1,145,128	\$2,567	90%	\$2,310,202	\$1,618	90%	\$1,456,117
Other Retail (incl. Drug Stores)	\$8,577,674	\$1,200	3.3%	\$4,164	90%	\$3,747,195	\$4,200	90%	\$3,779,831	\$2,647	80%	\$2,117,707
	\$28,549,303	\$3,992	11.0%	\$13,858	72%	\$9,988,845	\$13,978	70%	\$9,849,293	\$8,811	84%	\$7,381,218
Convenience Retail	\$4,639,959	\$649	1.8%	\$2,252	60%	\$1,351,324	\$2,272	65%	\$1,476,685	\$1,432	90%	\$1,288,733
Food Svcs., Drinking Places	\$11,316,469	\$1,583	4.3%	\$5,493	80%	\$4,394,355	\$5,541	70%	\$3,878,549	\$3,492	90%	\$3,143,112
Bldg. Matl. and Garden Equip.	\$5,117,645	\$716	2.0%	\$2,484	20%	\$496,815	\$2,506	90%	\$2,255,137	\$1,579	80%	\$1,263,475
Automotive Retail												
Gasoline Stations	\$7,141,702	\$999	2.7%	\$3,467	65%	\$2,253,250	\$3,497	65%	\$2,272,874	\$2,204	90%	\$1,983,584
Motor Vehicle, Parts Dealers	\$8,563,922	\$1,198	3.3%	\$4,157	5%	\$207,844	\$4,193	90%	\$3,773,771	\$2,643	90%	\$2,378,601
	\$15,705,624	\$2,196	6.0%	\$7,623	32%	\$2,461,093	\$7,690	79%	\$6,046,645	\$4,847	90%	\$4,362,186
Total Taxable Sales	\$65,329,000	\$9,136	25.1%	\$31,710	59%	\$18,692,433	\$31,986	73%	\$23,506,309	\$20,161	86%	\$17,438,724

¹ California State Board of Equalization, Taxable Sales in California During 2009.

² Bay Area population and income per U.S. Census American Community Survey: 2005-2009 5-Year Estimate and 2010 Census data sets.

³ Demand potential based on Apple payroll in each of the cities, multiplied by the % of per capita income spent on each taxable sales category in the Bay Area, per BOE.

⁴ KMA assumption.

Appendix A-6
Taxable Retail Sales Generated by 2012 Cupertino Facilities Employees
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.

Retail Sales Category	Nine-County Bay Area Sales			Cupertino Residents Sales			Sunnyvale Residents Sales			Santa Clara Residents Sales		
	2010 Taxable Sales (\$1,000s) ¹	Per Capita ²	Per Capita Income ²	Demand Potential (\$1,000s) ³	% Capture in Cup. ⁴	Potential Spending in Cupertino	Demand Potential (\$1,000s) ³	% Capture in Sun. ⁴	Potential Spending in Sunnyvale	Demand Potential (\$1,000s) ³	% Capture in Sta. Clara ⁴	Potential Spending in Sta. Clara
		7,081,266 <i>pop'n.</i>	\$39,478 <i>income</i>	\$159,400 <i>payroll</i>			\$160,700 <i>payroll</i>			\$101,200 <i>payroll</i>		
Comparison Retail												
General Merchandise	\$8,954,113	\$1,264	3.2%	\$5,106	90%	\$4,595,019	\$5,147	75%	\$3,860,412	\$3,241	90%	\$2,917,290
Clothing and Accessories	\$6,474,453	\$914	2.3%	\$3,692	45%	\$1,661,261	\$3,722	20%	\$744,360	\$2,344	70%	\$1,640,649
Home Furnishings, Appliance	\$5,460,609	\$771	2.0%	\$3,114	45%	\$1,401,122	\$3,139	90%	\$2,825,097	\$1,977	90%	\$1,779,091
Other Retail (incl. Drug Stores)	\$8,772,391	\$1,239	3.1%	\$5,002	90%	\$4,501,765	\$5,043	60%	\$3,025,653	\$3,176	80%	\$2,540,519
	\$29,661,566	\$4,189	10.6%	\$16,913	72%	\$12,159,167	\$17,051	61%	\$10,455,522	\$10,738	83%	\$8,877,548
Convenience Retail	\$4,751,891	\$671	1.7%	\$2,709	60%	\$1,625,698	\$2,732	65%	\$1,775,537	\$1,720	90%	\$1,548,187
Food Svcs., Drinking Places	\$11,801,091	\$1,667	4.2%	\$6,729	80%	\$5,383,124	\$6,784	70%	\$4,748,649	\$4,272	90%	\$3,844,848
Bldg. Matl. and Garden Equip.	\$5,229,682	\$739	1.9%	\$2,982	20%	\$596,386	\$3,006	90%	\$2,705,625	\$1,893	70%	\$1,325,220
Automotive Retail												
Gasoline Stations	\$8,244,012	\$1,164	2.9%	\$4,701	65%	\$3,055,443	\$4,739	65%	\$3,080,362	\$2,984	90%	\$2,685,936
Motor Vehicle, Parts Dealers	\$9,293,253	\$1,312	3.3%	\$5,299	5%	\$264,948	\$5,342	90%	\$4,807,952	\$3,364	90%	\$3,027,783
	\$17,537,265	\$2,477	6.3%	\$10,000	33%	\$3,320,391	\$10,081	78%	\$7,888,314	\$6,349	90%	\$5,713,718
Total Taxable Sales	\$68,981,496	\$9,741	24.7%	\$39,333	59%	\$23,084,767	\$39,654	70%	\$27,573,646	\$24,972	85%	\$21,309,520

¹ CA Board of Equalization - Taxable Sales in California Report By Type of Business for Cities and Counties - 2010.

² Population and income per U.S. Census, American Community Survey, 2007-2011 5-Year Estimates.

³ Demand potential based on Apple payroll in each of the cities, multiplied by the % of per capita income spent on each taxable sales category in the Bay Area, per BOE.

⁴ KMA assumption.

Appendix A-7

**Taxable Retail Sales Generated by Future Cupertino Facilities with Apple Campus 2 Employees
Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
Apple Inc.**

Retail Sales Category	Nine-County Bay Area Sales			Cupertino Residents Sales			Sunnyvale Residents Sales			Santa Clara Residents Sales		
	2010 Taxable Sales (\$1,000s) ¹	% Per Capita ²	% Per Capita ²	Demand Potential (\$1,000s) ³	% Capture in Cup. ⁴	Potential Spending in Cupertino	Demand Potential (\$1,000s) ³	% Capture in Sun. ⁴	Potential Spending in Sunnyvale	Demand Potential (\$1,000s) ³	% Capture in Sta. Clara ⁴	Potential Spending in Sta. Clara
		7,081,266 <i>pop'n.</i>	\$39,478 <i>income</i>	\$236,400 <i>payroll</i>			\$245,300 <i>payroll</i>			\$174,800 <i>payroll</i>		
Comparison Retail												
General Merchandise	\$8,954,113	\$1,264	3.2%	\$7,572	90%	\$6,814,696	\$7,857	75%	\$5,892,714	\$5,599	90%	\$5,038,955
Clothing and Accessories	\$6,474,453	\$914	2.3%	\$5,475	45%	\$2,463,752	\$5,681	20%	\$1,136,226	\$4,048	70%	\$2,833,847
Home Furnishings, Appliance	\$5,460,609	\$771	2.0%	\$4,618	45%	\$2,077,950	\$4,792	90%	\$4,312,361	\$3,414	90%	\$3,072,975
Other Retail (incl. Drug Stores)	\$8,772,391	\$1,239	3.1%	\$7,418	90%	\$6,676,394	\$7,697	60%	\$4,618,498	\$5,485	80%	\$4,388,169
	\$29,661,566	\$4,189	10.6%	\$25,083	72%	\$18,032,792	\$26,027	61%	\$15,959,798	\$18,547	83%	\$15,333,946
Convenience Retail	\$4,751,891	\$671	1.7%	\$4,018	60%	\$2,411,011	\$4,170	65%	\$2,710,262	\$2,971	90%	\$2,674,141
Food Svcs., Drinking Places	\$11,801,091	\$1,667	4.2%	\$9,979	80%	\$7,983,504	\$10,355	70%	\$7,248,559	\$7,379	90%	\$6,641,101
Bldg. Matl. and Garden Equip.	\$5,229,682	\$739	1.9%	\$4,422	20%	\$884,477	\$4,589	90%	\$4,129,993	\$3,270	70%	\$2,289,016
Automotive Retail												
Gasoline Stations	\$8,244,012	\$1,164	2.9%	\$6,971	65%	\$4,531,410	\$7,234	65%	\$4,702,009	\$5,155	90%	\$4,639,343
Motor Vehicle, Parts Dealers	\$9,293,253	\$1,312	3.3%	\$7,859	5%	\$392,934	\$8,155	90%	\$7,339,082	\$5,811	90%	\$5,229,807
	\$17,537,265	\$2,477	6.3%	\$14,830	33%	\$4,924,344	\$15,388	78%	\$12,041,092	\$10,966	90%	\$9,869,150
Total Taxable Sales	\$68,981,496	\$9,741	24.7%	\$58,333	59%	\$34,236,128	\$60,529	70%	\$42,089,704	\$43,133	85%	\$36,807,353

¹ CA Board of Equalization - Taxable Sales in California Report By Type of Business for Cities and Counties - 2010.

² Population and income per U.S. Census, American Community Survey, 2007-2011 5-Year Estimates.

³ Demand potential based on Apple payroll in each of the cities, multiplied by the % of per capita income spent on each taxable sales category in the Bay Area, per BOE.

⁴ KMA assumption.

Appendix A-8

Annual Sales Tax Revenues Generated by Cupertino-based Apple Employees; Cities of Cupertino, Sunnyvale, and Santa Clara ¹
 Economic & Fiscal Impacts of Apple's Base and Future Facilities in Cupertino
 Apple Inc.

Retail Sales Category	Cupertino		Sunnyvale		Santa Clara		Three City Total ⁴	
	Potential Spending ²	Sales Tax ³ <i>1% sales</i>	Potential Spending ²	Sales Tax ³ <i>1% sales</i>	Potential Spending ²	Sales Tax ³ <i>1% sales</i>	Potential Spending	Sales Tax
2010 Cupertino Facilities								
Comparison Retail	\$9,988,845	\$99,888	\$9,849,293	\$98,493	\$7,381,218	\$73,812	\$27,219,356	\$272,194
Convenience Retail	\$1,351,324	\$13,513	\$1,476,685	\$14,767	\$1,288,733	\$12,887	\$4,116,743	\$41,167
Food Services and Drinking Places	\$4,394,355	\$43,944	\$3,878,549	\$38,785	\$3,143,112	\$31,431	\$11,416,017	\$114,160
Bldg. Matl. and Garden Equipment	\$496,815	\$4,968	\$2,255,137	\$22,551	\$1,263,475	\$12,635	\$4,015,427	\$40,154
Automotive Retail	\$2,461,093	\$24,611	\$6,046,645	\$60,466	\$4,362,186	\$43,622	\$12,869,924	\$128,699
	<u>\$18,692,433</u>	<u>\$186,924</u>	<u>\$23,506,309</u>	<u>\$235,063</u>	<u>\$17,438,724</u>	<u>\$174,387</u>	<u>\$59,637,466</u>	<u>\$596,375</u>
2012 Cupertino Facilities								
Comparison Retail	\$12,159,167	\$121,592	\$10,455,522	\$104,555	\$8,877,548	\$88,775	\$31,492,236	\$314,922
Convenience Retail	\$1,625,698	\$16,257	\$1,775,537	\$17,755	\$1,548,187	\$15,482	\$4,949,422	\$49,494
Food Services and Drinking Places	\$5,383,124	\$53,831	\$4,748,649	\$47,486	\$3,844,848	\$38,448	\$13,976,621	\$139,766
Bldg. Matl. and Garden Equipment	\$596,386	\$5,964	\$2,705,625	\$27,056	\$1,325,220	\$13,252	\$4,627,231	\$46,272
Automotive Retail	\$3,320,391	\$33,204	\$7,888,314	\$78,883	\$5,713,718	\$57,137	\$16,922,423	\$169,224
	<u>\$23,084,767</u>	<u>\$230,848</u>	<u>\$27,573,646</u>	<u>\$275,736</u>	<u>\$21,309,520</u>	<u>\$213,095</u>	<u>\$71,967,934</u>	<u>\$719,679</u>
Future Facilities with Apple Campus 2								
Comparison Retail	\$18,032,792	\$180,328	\$15,959,798	\$159,598	\$15,333,946	\$153,339	\$49,326,535	\$493,265
Convenience Retail	\$2,411,011	\$24,110	\$2,710,262	\$27,103	\$2,674,141	\$26,741	\$7,795,415	\$77,954
Food Services and Drinking Places	\$7,983,504	\$79,835	\$7,248,559	\$72,486	\$6,641,101	\$66,411	\$21,873,164	\$218,732
Bldg. Matl. and Garden Equipment	\$884,477	\$8,845	\$4,129,993	\$41,300	\$2,289,016	\$22,890	\$7,303,486	\$73,035
Automotive Retail	\$4,924,344	\$49,243	\$12,041,092	\$120,411	\$9,869,150	\$98,691	\$26,834,586	\$268,346
	<u>\$34,236,128</u>	<u>\$342,361</u>	<u>\$42,089,704</u>	<u>\$420,897</u>	<u>\$36,807,353</u>	<u>\$368,074</u>	<u>\$113,133,186</u>	<u>\$1,131,332</u>

¹ In addition to sales taxes generated by employee spending, Apple currently annually pays use taxes for purchases from vendors. However, data from the City of Cupertino do not indicate that a significant portion accrue to the City. Apple purchase data do not indicate what portion of purchases are taxable. For purposes of this analysis, use taxes generated by Apple vendor purchases have been conservatively excluded.

² See Tables A-4 through A-7.

³ Per City of Cupertino Adopted Budget Fiscal Year 2011-12; City of Sunnyvale Adopted Budget and Resource Allocation Plan Fiscal Year 2011/2012, City of Santa Clara 2011-12 Annual Budget - Budget Brochure.

⁴ Total sales taxes from the spending of Apple employees in their cities of residence; spending of the residents of one city in each of the other two not included.

EXHIBIT 17

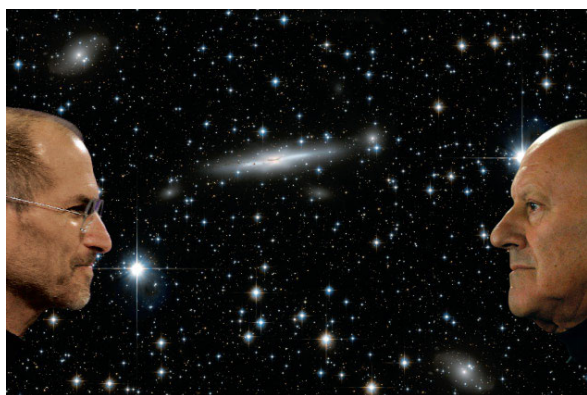
Inside Apple's Plans for Its Futuristic, \$5 Billion Headquarters

Steve Jobs hired architect Norman Foster to build the greatest headquarters known to mankind. As construction nears, the project is behind schedule, a billion over budget, and shaping up as an investor relations nightmare

Peter Burrows

pburrows

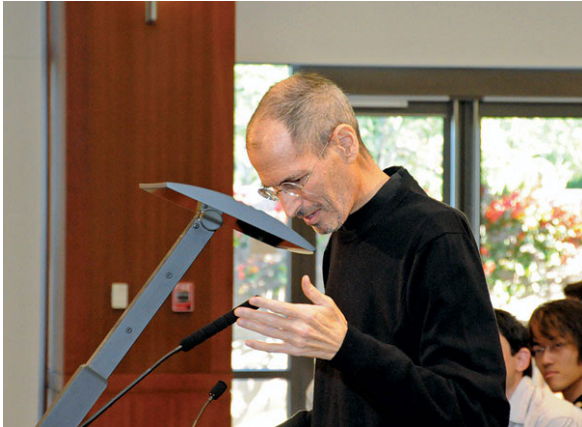
April 4, 2013 — 9:26 PM CDT



Steve Jobs hired architect Norman Foster to build the greatest headquarters known to mankind. As construction nears, the project is behind schedule and a billion over budget (Stars: ESA/Hubble/NASA; Jobs: Terry Schmitt/UPI/Landov; Foster: Mantel/Sipa USA)

Stars: ESA/Hubble/NASA; Jobs: Terry Schmitt/UPI/Landov; Foster: Mantel/Sipa USA

At what turned out to be his last public appearance, Steve Jobs stood before the Cupertino City Council on June 7, 2011, to present plans for a new corporate campus for Apple. Scarecrow thin but forceful as ever, Jobs displayed several renderings of a headquarters intended to accommodate more than 12,000 employees in a single, circular building. “It’s a little like a spaceship,” he said of the massive, four-story ring, which, at 2.8 million square feet, would be two-thirds the size of the Pentagon and set among 176 acres of trees where today there are mostly asphalt parking lots. “We have a shot,” he said, “at building the best office building in the world. I really do think that architecture students will come here to see it.”



Jobs presenting plans for Apple's new campus

Courtesy Cupertino City Council

Jobs died four months later, before the final plans could be submitted to Cupertino city planners, but he had made it clear that this corporate Shangri-La would be expensive. Apple would add 6,000 trees and hide nearly all the roads and parking spaces underground. There would be plenty of cafeterias, including one that could handle lunch for 3,000 employees. Jobs highlighted the main building's curved exterior walls. The plans call for unprecedented 40-foot, floor-to-ceiling panes of concave glass from Germany. Before the Cupertino council, Jobs noted, "there isn't a straight piece of glass on the whole building ... and as you know if you build things, this isn't the cheapest way to build them."

He had that right. Since 2011, the budget for Apple's Campus 2 has ballooned from less than \$3 billion to nearly \$5 billion, according to five people close to the project who were not authorized to speak on the record. If their consensus estimate is accurate, Apple's expansion would eclipse the \$3.9 billion being spent on the new World Trade Center complex in New York, and the new office space would run more than \$1,500 per square foot—three times the cost of many top-of-the-line downtown corporate towers.

Before his death, Jobs had hoped to break ground in 2012 and to move in by the end of 2015. Apple will start tearing down the 26 buildings on the site in June, according to another person familiar with the plan. At the company's annual meeting on Feb. 27, Chief Executive Officer Tim Cook said the move-in date has been pushed back to 2016. Apple declined to comment for this article.

One reason for the new timetable, say three people who have spoken to Apple personnel about the project, is that the company has been working with lead architect Foster + Partners to cut \$1 billion from the budget before proceeding. Jobs and Apple first hired Norman Foster's firm, renowned for the rebuilt Reichstag in Berlin and Hearst Tower in New York, in 2010. Apple has named a general contractor—a joint venture of

DPR Construction, in Redwood City, Calif., and prefabrication specialists Skanska USA Building in New York—but has not finalized agreements with the scores of subcontractors needed to complete the job. Some contractors will be submitting bids by May. There's so much dirt to be removed, excavating the site will take six months and require a continuous, 24-hour convoy of trucks, says a former Apple manager who heard a presentation from Foster's firm.

Cost overruns are to be expected on large construction projects, and the scale of this one has evolved—from an initial plan to accommodate 6,000 employees, to offices for 12,000 or even 13,000 in one place. Meanwhile, \$1 billion is still less than 1 percent of Apple's \$137 billion in cash reserves. Yet the multibillion-dollar budget for Campus 2 could add fuel to the debate about what Apple's doing with all its money. Investors didn't squawk much when Apple was dominating the smartphone and tablet market, but shares have fallen 38 percent since September amid rising competition from Samsung Electronics and concerns about Apple's product pipeline. Now shareholders are calling for a big dividend, stock buyback, or, in the case of Greenlight Capital's David Einhorn, the issuance of a new class of preferred shares. Apple has hinted it might oblige in some way, but critics are sure to question whether curved glass is the best use of funds. "It would take some convincing for me to understand why \$5 billion is the right number for a project like this," says Keith Goddard, the chief executive of Tulsa-based Capital Advisors, which owns 30,537 shares of Apple. "This is rubbing salt in the wound, to spend at a level that most anyone would say is extravagant, at a time when they're being so stingy on dividends." If the stock continues to underperform, Goddard predicts, "this headquarters would perpetuate the negative story."

Moreover, in Silicon Valley, nothing says you've peaked quite like a lavish new HQ. Highfliers such as Silicon Graphics, Borland Software, and Sun Microsystems all suffered the "campus curse": Their fortunes went south soon after opening swank corporate villages.

Few architects will publicly question the judgment of Jobs and Foster, but many privately snicker at the doughnut-shaped design. At a time when Google, Facebook, and others favor floor plans that promote as many chance meetings as possible—a Jobsian virtue—the circle could isolate people and teams. A circle does not allow for much flexibility. Many companies today opt for "living buildings" that can be easily reconfigured. Facebook's West Campus in Mountain View will be one huge quarter-mile-long structure—essentially a large warehouse that can be adjusted on the fly as projects are launched and finished.

Aesthetics seem to trump productivity, says Scott Wyatt, a managing partner at NBBJ, a Seattle-based architecture firm that's designing offices in the region for Google and Samsung. "I would be concerned that it would be alienating, as opposed to convening." Rather than making it a great place to work, Wyatt says, "it seems more like an object, just like the iPhone is an object."

There's no indication that Apple is getting cold feet. For one thing, it needs the space. Even after the campus opens, it will continue using its current Infinite Loop headquarters, which houses 2,800 employees. Given its cash, Apple can make it happen, even at \$5 billion. But Cook dropped hints at Apple's annual meeting in February that the campus would not be precisely what Jobs envisioned. "Steve put a lot of love and attention into this before he passed away," Cook said. "Hopefully we've made it better during the design phase. We want to do this right."

Apple's spectacular second campus, at least as Jobs conceived of it, was never going to be purely practical. Set on land Apple purchased in two blocks—50 acres in 2006, and roughly twice that from Hewlett-Packard in 2010—Jobs wanted it to be a model of sustainability. The goal, he said, was for the facility to generate all of its own electricity, relying on the grid only as a backup. He wanted the whole place to look less like an office park and more like a nature refuge.

Shortly after entering the new campus at one of just two entry roads, the plans reveal, most cars will be directed underground into a network of roads and garages. The company plans to plant 15 acres of native Californian grassland and 309 different species of trees (that includes the 6,000 new ones and 1,000 existing trees that will be dug up, stored during construction, and transplanted back from the nursery later). The vast courtyard in the center of the main building's doughnut will be especially verdant, with apricot, olive, and apple orchards, and an herb garden near the patio of a sprawling cafe.



A rendering of the proposed Apple headquarters

Courtesy Cupertino City Council

The plan is for only six structures to be visible when it's all done: the headquarters, the lobby to an underground auditorium (no more schlepping to San Francisco for product demos), a four-story parking garage separating the campus from Interstate 280, a fitness center, and two research and development labs

housing testing facilities such as an anechoic chamber for analyzing antenna signals. “The overall feeling of the place is going to be a zillion times better than it is now,” Jobs told the Cupertino City Council.

To achieve its goals of a “net-zero energy” campus, the roof of the spaceship will hold 700,000 square feet of solar panels, enough to generate 8 megawatts of power. (That’s enough to power roughly 4,000 homes.) Apple says it’s negotiating contracts for additional solar and wind power. To keep consumption down, the company plans to install “climate responsive” technology. Judging from the drawings, this will include window treatments that automatically open or close to let in just the right amount of light, wind, and fresh air to maintain a comfortable temperature. Apple will likely make liberal use of Solatubes—skylights that are used to shunt outdoor light into internal offices—and huge, airplane propeller-size fans made by companies such as Big Ass Fans in Lexington, Ky., that move lots of air without using much energy.

The true expense of the campus lies not in green tech, though, as much as the materials—as well as what product designers call “fit and finish.” As with Apple’s products, Jobs wanted no seam, gap, or paintbrush stroke showing; every wall, floor, and even ceiling is to be polished to a supernatural smoothness. All of the interior wood was to be harvested from a specific species of maple, and only the finer-quality “heartwood” at the center of the trees would be used, says one person briefed on the plan last year.

The main building will also be groundbreaking in how it’s assembled. While the structural shell will be erected on site, the glass that forms the exterior walls will be bent and framed by Seele in its factory in Gersthofen, Germany. “It’s something like 6 kilometers of glass,” says Peter Arbour, an architect with Seele, who says that no company has attempted to use panes as large—certainly not curved panes—in anything approaching this scale. “Normally we talk in terms of square feet.”

Seele, which built the glass staircases in many Apple stores as well as the large glass cube at the entrance to its store on Fifth Avenue, has doubled the capacity of its plant to service the Apple project, Arbour says. Most curved glass is created through a heating process that can lead to cloudiness or house-of-mirror-style distortions. Apple’s will use a cold-bent process; Seele developed machines to bend the panes and hold them in place as they are laminated with a bonding material so they keep the correct shape. “With cold-bent glass, you get a true surface and true transparency and true reflectivity,” Arbour says. Seele can complete this process only at its Gersthofen factory, requiring that the glass be shipped from Europe.



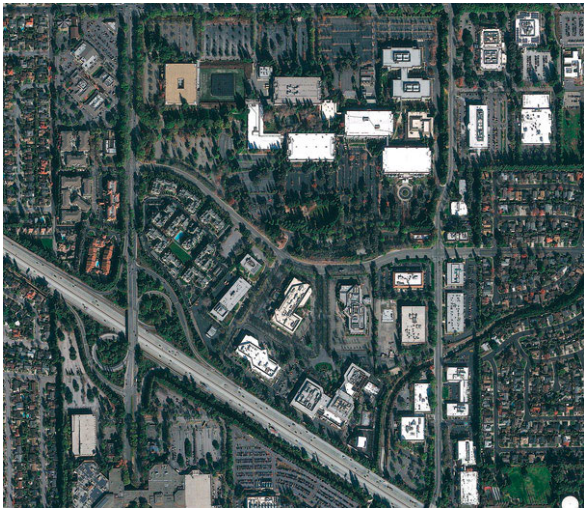
“There isn’t a straight piece of glass,” Jobs said

Courtesy Cupertino City Council

Arriving by truck will be thousands of prefabricated 26-foot-long modules in various configurations—bathrooms, utility closets, and banks of offices complete with carpets and window treatments, say three of those who spoke with *Bloomberg Businessweek* about the project. Because the work is done in factories designed specifically for the purpose, the approach can yield far more precise construction and fewer hours of on-site labor—and potential savings on local union rates. It’s also faster. Apple hopes to complete construction in two years vs. the three to five it could take using conventional methods.

Apple hasn’t announced any major changes to Jobs’s vision, so some of the sought-after \$1 billion savings will likely come by rolling back his sky-high requirements for fit and finish. Rather than cement floors, Jobs wanted to use a stone-infused alternative such as terrazzo, buffed to a sheen normally reserved for museums and high-end residences. Jobs insisted that the tiny gaps where walls and other surfaces come together be no more than 1/32 of an inch across, vs. the typical 1/8 inch in most U.S. construction. Rather than a lightweight, sound-absorbing acoustical tile, Jobs even wanted the ceilings to be polished concrete. Contractors would typically erect molds with crude scaffolds to pour the cement in place, but that leaves unsightly ruts where the scaffolding puts extra pressure on the surfaces. According to two people who’ve seen the plans, Apple will instead cast the ceilings in molds on the floor and lift them into place, a far more expensive approach that left one person involved in the project speechless.

On a recent visit to the site, a hint of the grand future blended in with the practical and unglamorous present. Apple has vacated some buildings in one corner of the property, but the parking lot is nearly full outside the offices of Apple’s facilities staff. A large square structure looms up from behind the building, obscured by a 30-foot fence that’s covered with white tarps. A peek through the fence reveals what appears to be a life-size mock-up of the entrance to the future headquarters, complete with floor-to-ceiling glass and a huge banner hanging from the ceiling with a photo of an iPhone, like the ones that hang in the lobby of Infinite Loop. It’s clean, minimalist, and stunning—a four-story iPad.



The office park near Interstate 280 that Apple will raze to make way for Campus 2

Photograph by DigitalGlobe/Getty Images

Wyatt, the NBBJ partners, met with Jobs to talk about various projects over the years. “I can imagine Jobs going through some of Foster’s buildings and thinking, ‘This is what architecture should be,’” says Wyatt, the NBBJ partner. “This isn’t a bad thing, but they’re an architect’s architect, not a customer’s architect.” (Foster + Partners is the lead architect for Bloomberg Place, the London offices of Bloomberg LP, which owns this magazine.) The firm declined to comment for this article.

Foster + Partners has designed several of the most demanding and technically innovative buildings in the world. Foster made his name with the Hong Kong and Shanghai Banking (now HSBC) headquarters, completed in 1985. Built quickly with then-novel prefabrication and structural engineering techniques (reflected in the tubular columns and elaborate trusswork of the tower’s exterior), the skyscraper cost \$1.3 billion—in 1985 dollars, making it the world’s most expensive tall office building at the time.

Since then, Foster has emerged as the U.K.’s best-known architect. The kinds of projects he chooses these days, such as new airports in Hong Kong and Beijing, are rarely budget-driven, and the clients seem only too glad to spend on them. The 1997 Commerzbank headquarters in Frankfurt pioneered many energy-conserving techniques and featured multistory “sky” gardens. A delicate, costly, high-tech glass dome crowns Berlin’s Reichstag, the ruined home of the Bundestag, which Foster rehabilitated in 1999. Its design was controversial, though it has become a much-beloved symbol of progressive, unified Germany.

Jobs and Foster’s vision isn’t likely to run into any civic obstacles. Cupertino expects to have completed an environmental impact report by July, says city manager Dave Brandt, who doesn’t anticipate much in the

way of community opposition. Apple won points by agreeing to transport Glendenning Barn, a historic landmark, to a more accessible site, and by investing in a public transit program to encourage more than a third of employees to get to work by a method other than car.

Apple may struggle to find subcontractors, though. There's a building boom in Silicon Valley, with new hospitals, a new stadium for the San Francisco 49ers (who are finally leaving Candlestick Park and moving to Santa Clara), and offices for Samsung, as well as Facebook West and Google. With so much good business out there, some companies may hesitate to commit manpower to a project that's running behind. Moreover, according to two of the people close to the project, Apple is offering a cost-plus contract that pays only half the percentage of profit of some large deals, leading some potential partners to wonder if Apple expects them to sign up more for the glamour of working on a marquee master plan than for the money.

If that were ever true—and no doubt, many an Apple supplier discovered it had fallen into Jobs's reality distortion field—it's far less likely in the Tim Cook era. Apple may have more money than Croesus, but without Jobs's star power and maniacal control, it's becoming more like other big, conventional companies. Ironically, that may be precisely why Jobs's spaceship will one day land in Cupertino, regardless of cost. To backtrack now would be tantamount to admitting it.

Before it's here, it's on the Bloomberg Terminal.

• Tech • Markets • Apple Inc • Jobs • New York • Samsung Electronics Co Ltd • Tim Cook

EXHIBIT 18

Apple Campus 2 Construction Update

Apple Campus 2 Construction & Traffic Update

Information on this page is updated weekly and is advisory only. Due to unforeseen conditions, construction activities and traffic controls may be different than those described on this web site.

Motorists can expect traffic delays in the vicinity of the Apple Campus 2 site. Construction work hours are from 7 am to 7 pm weekdays and from 9 am to 6 pm weekends, with additional traffic restrictions (additional lane closures, etc.) occurring between the hours of 9 am and 4:30 pm weekdays.

Here are some of the specific construction impacts:

- Lane reductions on Wolfe Road between Pruneridge Avenue and Homestead Road.
- Left turns from northbound Wolfe road to westbound Homestead Road are reduced to a single lane.
- Sidewalk is closed along the east side of Wolfe Road between Vallco Mall and Homestead Road.
- Pruneridge Avenue is closed permanently between the Hamptons driveway and Tantau Ave.

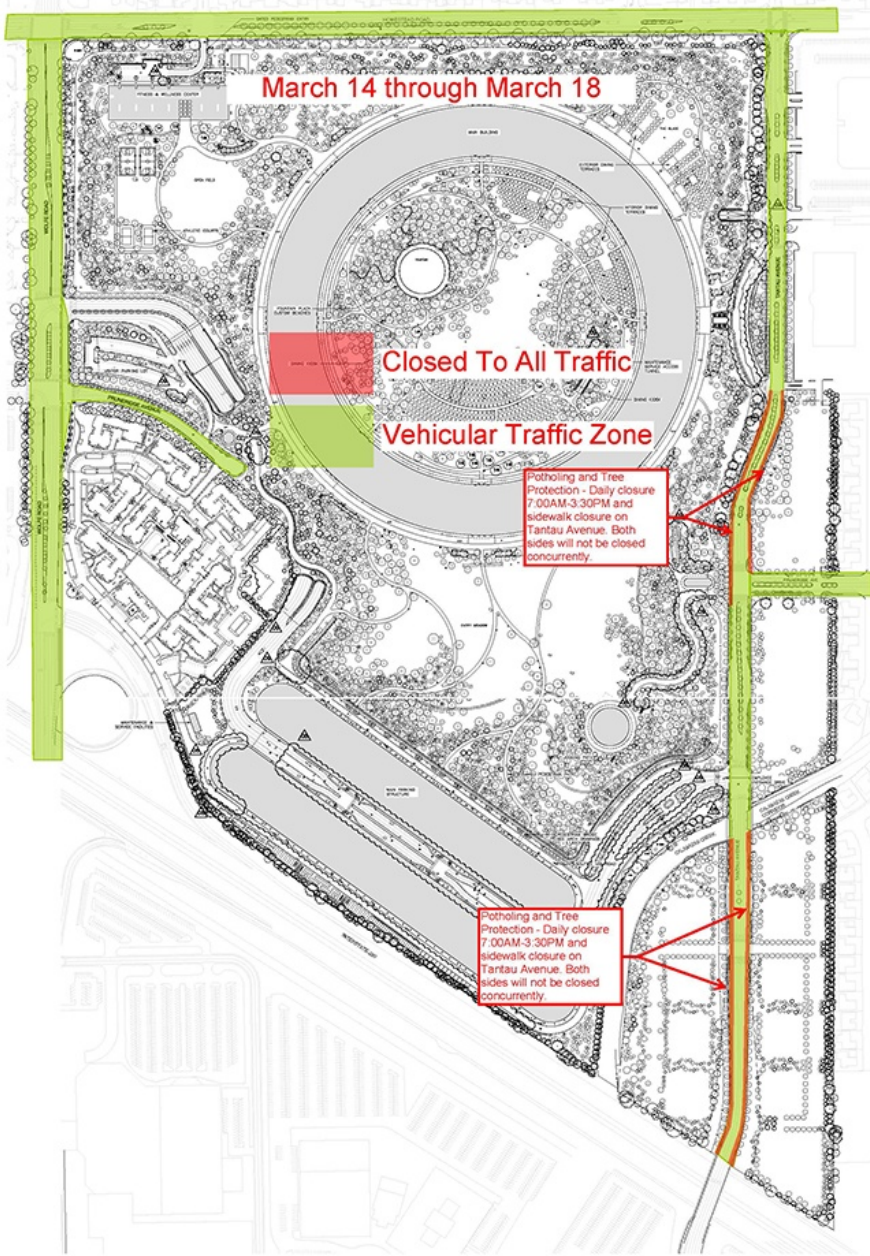
Please see the map below or download the current lane closure schedule:

Access Cupertino

City of Cupertino
Contact:
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davids@cupertino.org

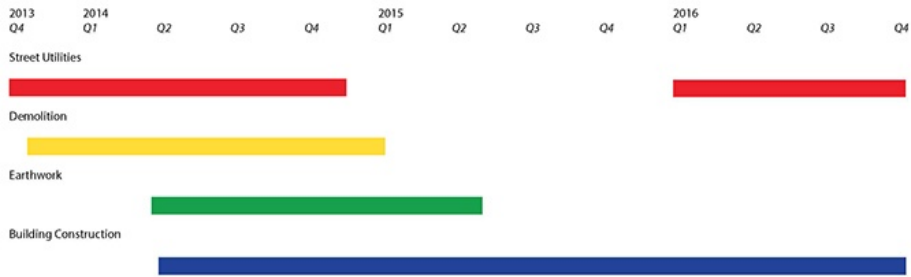
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Apple Campus 2 General Project Schedule

General Project Schedule



Apple Campus 2 Site Aerial



EXHIBIT 19

Apple Campus 2

Project Description

September 2013



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Apple Campus 2

Apple proposes to create Apple Campus 2 - an integrated, unified and secure 21st Century campus surrounded by green space. This new development will provide a serene environment reflecting Apple's brand values of innovation, ease of use and beauty. The entire 176-acre site will be redeveloped with sustainable, state-of-the-art office, research and development facilities. The project replaces the current disjointed assemblage of aging corporate facilities with a single high performance office, research and development building, with supporting facilities. The buildings are located in a unified and secure landscape, which extends and connects the interior workplaces to outdoor facilities for relaxation, recreation and reflection. The entire Campus, indoors and out, is intended to promote shared creativity and collaboration, and spur invention of the next several generations of Apple products.

Apple selected the internationally renowned architectural firm Foster + Partners, headed by Norman Foster, as architects. Foster + Partners has drawn upon its global leadership in sustainability and design to help achieve Apple's goals.

The signature Main Building accommodates up to 12,000 employees and comprises approximately 2.8 million square feet in four stories, resulting in a significant reduction of overall building footprint when compared to the facilities that exist on the site. The Main Building is located and designed to minimize the visual impact on adjacent residential neighborhoods and to enhance the existing deep landscape setbacks at the periphery.

Campus amenities will include a striking restaurant within the Main Building, a separate Corporate Fitness Center comprising approximately 100,000 square feet, and a 1,000-seat Corporate Auditorium comprising approximately 120,000 square feet.

There will be approximately 10,980 parking spaces. Of these, approximately 9,240 parking spaces will serve the main site of Apple Campus 2. The parking spaces on the Main Building site will be divided between a basement below the Main Building and an above-grade parking structure situated along I-280. The Campus will feature a Central Plant that is integrated with the parking structure and serves all buildings on the Main Building site.

In addition, office and research facilities accommodating up to 2,200 employees and comprising approximately 600,000 square feet will be located along North Tantau Avenue, with approximately 300,000 square feet of

development east of North Tantau Avenue and approximately 300,000 square feet west of North Tantau. The 600,000 square feet of office, research and development space will comprise Phase 2, which is scheduled to commence construction after Phase 1 is completed. These additional buildings will house office and research and development functions that need to be located adjacent to the Main Building, and will be supported with approximately 1,740 parking spaces.

Integration and unification of the currently divided parcels will be achieved by reclaiming Pruneridge Avenue as green space. Access to the Hamptons Apartments from North Wolfe Road at Pruneridge Avenue will remain.

The project replaces existing asphalt and hardscape with over 100 acres of landscaped green space. The landscape design of meadows and woodlands will create an ecologically rich oak savanna reminiscent of the early Santa Clara Valley. It will incorporate both young and mature trees, and native and drought tolerant plants, that will thrive in Santa Clara County with minimal water consumption. The increase in permeable surfaces will promote natural drainage and improve water quality in Calabazas Creek. The thoughtful and extensive landscaping will recall Cupertino's pre-agricultural and agricultural past, which will be further acknowledged by preserving and relocating the Glendenning Barn to a more appropriate on or off-site setting.

Apple Campus 2 will promote creativity and collaboration by consolidating up to 14,200 Apple employees in one location. Apple will continue to occupy the existing Infinite Loop Campus, as well as other buildings within Cupertino.

The project generally aligns with Cupertino's existing planning framework set forth in its General Plan, and the policies established for the Vallco Park North Employment Center. It maintains the residential neighborhoods, minimizes additional infrastructure demands and expands the existing perimeter protection to meet Apple's security needs. The project will strengthen Cupertino's competitive position in Silicon Valley and help Apple continue to attract the industry's leading talent.

Apple Campus 2 will become a model for the 21st century workplace – a fantastic place to work, to create, to collaborate, and to shape future technology.

Project Objectives

Apple Campus 2 will result in replacement and rebuilding of the entire approximately 176-acre site with a mix of office, research and development and ancillary land uses. The main objective of the project is to redevelop the site with a new, unified, secure and private Apple campus. The project's specific objectives are to:

Primary Objectives

- Create an innovative and beautiful campus near Apple's Infinite Loop facility that consolidates up to 14,200 of Apple's engineers and support personnel in a single distinctive office, research and development building with supporting facilities. The purpose of consolidation within a single building set in a secure landscape is to promote shared creativity and collaboration, and spur invention of the next several generations of Apple products.
- Achieve the security and privacy required for the invention of new products by eliminating any public access through the site, and protecting the perimeters against trespassers.

Secondary Objectives:

- Maximize the provision of green space, and design this space in accordance with the climate and history of the area.
- Provide on-site amenities for Apple's employees in order to promote employees' health and well-being and reduce off-campus travel.
- Provide an on-site venue for the introduction of Apple's new products that will generate surprise and delight, and enable the products to be introduced at Apple's corporate home.
- Create a physically unified campus community that improves internal circulation and eliminates unnecessary access points by consolidating the existing properties within one campus.
- Create a campus plan that incorporates flexibility to respond to Apple's future business needs.
- Achieve a net zero energy development by constructing energy efficient buildings, generating a significant amount of the Campus' energy from on-site renewable sources, and developing partnerships with renewable energy providers for grid-purchased renewable energy.

- Minimize use of potable water through using recycled water, if available as a result of projects now under consideration, and improve runoff by increasing permeable surfaces.
- Enable a commuting culture where thoughtful site planning and regional connectivity coupled with a robust TDM program prioritize transit and active commute modes.
- Exceed economic, social, and environmental sustainability goals through integrated design and development.
- Enhance the City's tax base.
- Create a campus that reflects Apple's business and design practices, and allows for a long-term presence in Cupertino.

Location

The approximately 176-acre site is bounded by I-280, North Wolfe Road, East Homestead Road and North Tantau Avenue, as shown on Exhibit A-6 and described more fully in Exhibit A-7. The Campus also includes parcels located to the east and west of North Tantau Avenue.

Site Development Overview and Detail

Apple is seeking from the City the entitlements and approvals listed below. Apple may supplement this list as the project develops. Apple may seek additional approvals from the appropriate local, regional, state and federal agencies.

- Legislative Approvals
 - General Plan Amendments
 - Remove Park designation
 - Remove Pruneridge Avenue as a Minor Collector in Circulation Element
 - Zoning Amendments – Rezone park site to P(MP)
 - Development Agreement for the entire site to vest the Project Approvals
- Project Level Approvals
 - Conceptual Plan approval
 - Development Permit(s)
 - Vesting Tentative Map, including approval of a grading plan
 - Vacation of Pruneridge Avenue and associated agreements
 - Land Transfer Agreement with City for Pruneridge Avenue right-of-way
 - Utility Relocation & Easement Agreements with City (and applicable utilities)
 - Tree Removal Permit
 - Streamside Modification Permit
 - Architectural Site Approval
 - Environmental Review
 - Approvals relating to land use amendments necessary for additional traffic lane on part of North Wolfe Road.

Apple anticipates commencing construction immediately after approval and expects construction to be completed by the summer of 2016. This schedule may be modified to meet Apple's business needs.

As indicated, Apple Campus 2 replaces the current outdated office, research and development buildings. The result is an incremental net new development, as described in Table 1.

Site

Although there will be an incremental increase in gross office and research and development floor area of approximately 20%, the efficient use of the main site will result in almost tripling the landscaped area. Underground and structured parking will replace 9,220 surface parking spaces – creating almost three times more open space. The new open space will be developed using native and drought tolerant trees and landscaped to minimize water consumption. The increased permeability will assist in controlling site water run-off and help to improve local water quality.

The sloping site will be re-graded to provide a level ground floor for the Main Building.

	Existing Site	Apple Campus 2	Net New Development
Main Site			
Number of Employees (Current Occupancy)	4,844	12,000	+7,156
Number of Employees (Current Capacity)	8,400	12,000	+3,600
Office, Research and Development - Occupied Area (sq ft)	2,287,000	2,820,000	+533,000
Corporate Auditorium & Corporate Fitness Center - Gross Floor Area (sq ft)	0	220,000	+220,000
Tantau Development Phase 2			
Tantau Phase 2 Development - Number of Employees	1,400	2,200	+800
Tantau Phase 2 Development - Office, Research and Development, Occupied Area (sq ft)	370,000	600,000	+230,000
Apple Campus 2			
Parking Space Capacity	9,220	10,980	+1,760
Site Coverage (sq ft)	1,400,000	1,000,000	-400,000
Number of Trees on Site	4,506	7,000	+2,494
Permeable Landscape (acres)	42	102	+60

Table 1 Site Development Overview (See Exhibit A-4)

Transportation and Parking

Replacement and rebuilding the outdated existing facilities provide the opportunity to consolidate twenty-four driveways into ten access points, thereby advancing the City's policy on managing access to major streets. The proposed access and circulation plan will reduce the impact on traffic associated with numerous driveways, eliminate conflicts that jeopardize safety for pedestrians, bicyclists and motorists, enhance emergency access to the site and simplify way finding.

Site Access

Primary vehicular access to the site for employees and visitors will be via a new intersection located approximately 260 feet north of the intersection of North Wolfe Road and Pruneridge Avenue, thereby allowing separation of Campus traffic from Hamptons Apartments' traffic. This new intersection will have a 3-leg (tee) configuration. The eastern leg will be a new private service road inside the main Campus site. This service road will provide access to the visitor parking area, below grade parking garage and parking structure located near the southern boundary of the site.

A secondary access point is provided on North Tantau Avenue, north of Calabazas Creek. This access serves the above-grade parking structure, as well as providing service access to the Central Plant, the Corporate Auditorium, additional access to the garage beneath the Main Building, maintenance access to Calabazas Creek and secondary emergency fire access to the Hamptons Apartments. This intersection also provides access to the site's property located east of North Tantau Avenue and north of Calabazas Creek.

The properties located south of Calabazas Creek, as well as east and west of North Tantau Avenue, will have their own dedicated intersection and site access points.

Apple's employee shuttles and service and delivery vehicles access the site from an intersection on North Tantau Avenue south of East Homestead Road. This intersection provides access to the project's Corporate Transit Center for Apple's employees adjacent to North Tantau Avenue. Access to the loading dock area is via separate driveways along North Tantau Avenue.

A service and emergency access point to the Corporate Fitness Center is located on an existing curb cut on East Homestead Road.

Multiple pedestrian and bicycle access points are provided in order to encourage employees to travel to the site on foot, bicycle and public transportation. Apple employees traveling by foot or on bicycle may access the site adjacent to the primary entrance on North Wolfe Road, where public transit stops, and just north of the project's service entrance on North Tantau Avenue. Additional pedestrian and bicycle access will be provided adjacent to the Corporate Fitness Center, the Corporate Auditorium and on North Tantau Avenue north and south of Calabazas Creek.

On-Site Circulation and Emergency Access

A private internal service road will connect from North Wolfe Road to North Tantau Avenue. This service road will provide access to the visitor parking area, below-grade parking garage and parking structure located near the southern boundary of the site.

A security plaza will be built east of North Wolfe Road, beyond which only employees or credentialed visitors will be granted access. Beyond the security plaza, the service road will enter a below grade tunnel from which two below-grade intersections will provide access to the below-grade parking garage. The service road will then rise to grade and turn south to provide access to the above-grade parking structure and ultimately to connect to the vehicle access point at North Tantau Avenue, north of Calabazas Creek. Employee entry from North Tantau Avenue includes a secondary security plaza.

Emergency responders access the site from the primary access point via North Wolfe Road, the secondary employee access point from North Tantau Avenue, as well as the Corporate Auditorium and the Corporate Fitness Center entry points. The Hamptons Apartments' primary emergency vehicle access from North Wolfe Road via Pruneridge Avenue remains in the same location, and a new secondary emergency access to the complex is provided from the service road at the southern boundary of the site.

Vacation of Pruneridge Avenue

Most of Pruneridge Avenue will be vacated. This vacation will create a physically unified campus community that respects Apple's security and privacy needs by eliminating public access through the Campus, and it will improve internal circulation.

Pruneridge Avenue will remain open from its intersection with North Wolfe Road to the entrance to the Hamptons Apartments. This segment of Pruneridge Avenue would function principally as access to the Hamptons Apartments, as well as serve vehicles exiting from the Apple Campus 2 visitor security kiosk. Traffic demand on this segment of Pruneridge Avenue would be reduced from existing conditions, allowing the roadway to be reduced to two lanes.

Through traffic formerly using Pruneridge Avenue is routed to parallel facilities including East Homestead Road, Vallco Parkway and Stevens Creek Boulevard. One existing transit route on Pruneridge Avenue requires re-routing to utilize Vallco Parkway and North Tantau Avenue. Similarly, closure of the existing bike lanes on Pruneridge Avenue will require bicyclists to use the bike lanes on East Homestead Road, or to travel down an improved North Tantau Avenue to Vallco Parkway. Utilities located beneath Pruneridge Avenue will be relocated.

The second emergency access point for the Hamptons Apartments off North Tantau Avenue will be rerouted via Apple's service road north of the Creek.

Off-Site Improvements

Apple proposes to improve North Wolfe Road by adding additional lanes that increase both capacity and storage and maintain the City's Level of Service (LOS) standard. Lanes added to North Wolfe Road include two southbound left turn lanes at the new site entrance, an additional northbound lane from I-280 to the new site entrance, and an additional right turn lane on the I-280 northbound off ramp. North Tantau Avenue will be widened in the vicinity of the employee entrance on the east side of the site.

North Wolfe Road will be widened to provide four continuous through lanes and one shared through/right turn lane at Pruneridge Avenue. The proposed widening would occur entirely on the eastern side of the North Wolfe Road. The I-280 northbound off-ramp to the north would be widened to provide a second right turn lane.

The I-280 southbound off-ramp to the south will be widened as well.

A northbound Class II bicycle lane will be provided adjacent to the curb on North Wolfe Road between I-280 and Pruneridge Avenue. Approaching Pruneridge Avenue, the bicycle lane will shift west with the through traffic, to avoid conflict with vehicles turning right into the main Campus north of Pruneridge Avenue. Northbound bicyclists will cross the main Campus entrance in a dedicated Class II bike lane and the bike lane will transition back adjacent to the curb north of the entrance. Additionally a Class I bike lane will be provided from midway between I-280 and Pruneridge Avenue to the AC2 Site Entry for cyclists wishing to enter the Campus.

At the intersection of North Wolfe Road and Pruneridge Avenue, the eastern leg of the intersection will be reduced in width to three lanes (one lane in and two lanes out).

A new three-legged (tee) intersection will be created approximately 260 feet north of the intersection of North Wolfe Road and Pruneridge Avenue. The northbound North Wolfe Road approach will consist of three through lanes and two right turn lanes. The southbound North Wolfe Road approach will consist of three through lanes and two left turn lanes with approximately 330 feet of storage. Widening of North Wolfe Road will accommodate the additional lanes. The proposed widening after Pruneridge Avenue will occur entirely on the east side of the roadway within the City-owned right-of-way and on Apple-owned property.

North Tantau Avenue will be widened north and south of Calabazas Creek and north of the I-280 overcrossing. The widening will allow for a five-lane cross-section south of the employee access intersection. The bridge over I-280 will be reconfigured to consist of four traffic lanes with bike lanes in both directions and sidewalks on both sides of the street.

Parking

There will be approximately 10,980 parking spaces provided within Apple Campus 2. Of these, approximately 9,240 employee parking spaces will serve the main site of Apple Campus 2, and about 1,740 employee parking spaces will serve the Tantau Development sites.

While Apple Campus 2 will be Apple's center for research and development, 1 Infinite Loop will remain the primary location for visitors. Apple Campus 2 will provide visitor parking spaces with access directly from the new Apple-dedicated entrance point off North Wolfe Road. The careful management of parking is an essential component of Apple's Transportation Demand Management program. The specifics related to parking are as follows:

- **Main Building Employee Basement Parking:** Approximately 2,385 employee parking spaces will be located in the Main Building basement. There are two vehicular access points for employees to the B1 level with internal ramps to the B2 level.
- **Main Site Employee Parking Structure:** Approximately 5,870 employee parking spaces will be accommodated in a multi-story parking structure along the southern edge of the site, adjacent to I-280.
- **Tantau Parking Structure:** Apple will provide about 765 parking spaces for visitors, employees and guests attending events at the Corporate Auditorium in a parking structure. Sixty additional valet parking spaces are available for event days.
- **Wolfe and Tantau Visitor Parking:** There will be two visitor parking lots on site. Approximately 135 surface parking spaces will be provided in a secure zone within the site accessible from North Wolfe Road. Access to this area is controlled by a manned security kiosk, which also monitors pedestrian and bicycle access into the site. The location of this visitor parking lot is just south of the Apple Campus 2 driveway. About 150 additional parking spaces for visitors are provided in the Tantau Parking Structure.
- **Tantau Development Parking:** There will be approximately 1,740 employee parking spaces located east and west of North Tantau Avenue serving the Phase 2 development.

Bicycle Access

Recommended Bicycle Access Improvements

The following is an overview of the recommended bicycle facilities on streets adjacent to the campus. The recommended improvements include the following treatments:

Bike Lanes

Bike lanes are defined as a portion of the roadway that has been designated by striping, signage, and pavement markings for the preferential or exclusive use of bicyclists. Bike lanes are recommended on North Wolfe Road, Pruneridge Avenue, and Homestead Road. This section of the corridor includes conventional bike lanes where there is not enough right-of-way to include enhanced treatments such as buffered bikeways.

Buffered Bike Lanes

A buffered bike lane, also called an enhanced bike lane is a bike lane that is buffered by a striped "shy zone" between the bike lane and the moving vehicle lane. With the shy zone, the buffered lane offers a more comfortable riding environment for bicyclists who prefer not to ride adjacent to traffic. This design has a number of benefits including:

- Provides greater shy distance between cars and bicyclists.
- Provides space for bicyclists to pass each other.
- Provides greater space for the bicycle travel lane without making the lane appear so wide that it may be mistaken for car use.
- Appeals to not just experienced bicyclists, but people who bicycle on occasion and those new to bicycling.

Buffered bike lanes are recommended on North Tantau Avenue and Vallco Parkway.

The recommended buffered bike lane design is the same design as a recently implemented Caltrans buffered bikeway on Sloat Boulevard in San Francisco and is a modified version of the design guidance presented in the NACTO (National Association of City Transportation Officials) Urban Bikeway Design Guide. The key difference is the proposed design has an inner dashed stripe; this will permit vehicles to cross when necessary, for example to enter or exit driveways.

Bike Boxes

A bike box is generally a right angle extension to a bike lane at the head of a signalized intersection. The bike box allows bicyclists to get to the front of the traffic queue on a red light and proceed first when that signal turns green. The bike box can also act as a storage area if heavy bicycle traffic exists. The bike box can also facilitate left turning movements for bicyclists who use the 'two stage turn.' Motor vehicles must stop behind the white stop line at the rear of the bike box. Bike boxes should be located at signalized intersections only. Bike boxes can be combined with intersection through bike lanes for green light situations to remind vehicles to be aware of bicyclists. This treatment is not a Caltrans approved traffic control device, however the City can apply to Caltrans for approval to experiment.

Bike boxes are recommended at:

- Northbound N Wolfe Ave at Pruneridge Ave
- Westbound Homestead Rd at N Tantau Ave
- Westbound Pruneridge Ave at N Tantau Ave

Two -Stage Turn Boxes

Two-stage turn boxes assist bicyclists with making left turns at multi-lane intersections. This treatment is typically applied on multi-lane streets with high traffic speeds and/or volumes. It provides a number of benefits including:

- Improves bicyclist comfort.
- Provides formal waiting area for bicyclists making left turns outside of the crosswalk.

The two stage turn box is recommended on N. Wolfe Ave at Pruneridge Ave.

This treatment is not a Caltrans approved traffic control device, however the City can apply to Caltrans for approval to experiment.

Intersection Crossing Markings

Intersection crossing markings are an extension of the bicycle lane through an intersection. This bike lane extension has a number of benefits, including:

- Enables bicyclists to correctly position themselves to the left of right turn lanes or to the right of left turn lanes.
- Reduces conflict between turning motorists and bicycle through traffic.
- Provides bicyclists with guidance to follow the preferred travel path.
- Alerts motorists to expect and yield to merging bicycle traffic.

Intersection crossing markings are recommended at:

- Northbound N Wolfe Ave at Pruneridge Ave
- Northbound N Wolfe Ave at Campus Entrance
- Westbound Homestead Rd at N Tantau Ave
- Westbound Pruneridge Ave at N Tantau Ave

Green Bike Lanes Through Conflict Areas

Green bike lanes through conflict areas is the application of green coloring applied to pavement in conflict zones.

Benefits of this treatment include:

Alerts roadway users to expect bicyclists.

Assigns the right of way to bicyclists.

The FHWA (Federal Highway Administration) has provided blanket approval for green colored pavement and Caltrans has also approved this treatment.

Green bike lanes through conflict areas are recommended at:

- N Wolfe Ave at all 280 ramps
- Northbound N Tantau Ave at parking lot entrances and approach to dedicated right turn lane at Homestead Rd
- N Tantau Ave at the Transit Center entrance/exit, loading area and parking lot entrances

Rapid Rectangular Flashing Beacon

Rectangular rapid flashing beacons (RRFB) are pedestrian actuated devices mounted adjacent to the roadway.

The beacon lights are rectangular LED lights installed below a pedestrian crosswalk sign that flash in an alternating pattern when activated. The beacon is dark when not activated. Caltrans has received approval from the Federal Highway Administration (FHWA) for use of RRFBs on a blanket basis at uncontrolled pedestrian and school crosswalk locations in California, including State highways and all local jurisdictions' roadways.

RRFB's are recommended at:

N Tantau Ave, two uncontrolled crosswalks at either end of the Transit Center

Utilities

Pruneridge Avenue Utility Relocations

The Pruneridge Avenue street vacation requires the relocation of existing utilities within its right-of-way. Preliminary studies and discussions with utility providers indicate that the following improvements may be required in the adjacent public streets:

- **Sanitary Sewer:** Upsize and deepen the existing sewers in North Wolfe Road (between Pruneridge Avenue and East Homestead Road) and in East Homestead Road (between North Wolfe Road and Tantau Avenue).
- **Storm Drain :** Upsize the existing storm drain in North Wolfe Road (between Pruneridge Avenue and East Homestead Road). The design of this storm drain is pending hydraulic analysis and consultation with the City.
- **Water:** Increase the size of the existing water line in East Homestead Road (between North Wolfe Road and North Tantau Avenue).
- **Power:** Install new conduits from the intersection of North Wolfe Road and Pruneridge Avenue to North Tantau Avenue and Pruneridge Avenue via North Wolfe Road, East Homestead Road and North Tantau Avenue.
- **Gas:** Install a gas pipe on Tantau Avenue between East Homestead Road and Pruneridge Avenue to maintain connectivity within Pacific Gas and Electric's (PG&E) gas network.
- **ICT:** Install new conduits from the intersection of North Wolfe Road and Pruneridge Avenue to North Tantau Avenue and Pruneridge Avenue via North Wolfe Road, East Homestead Road, and North Tantau Avenue.

Surrounding Streets Utility Improvements

Utility connections for the project are likely to require utility improvements in the surrounding streets. Preliminary studies and discussions with utility providers indicate that the following improvements may be required in the adjacent public streets:

- **Power:** Install new conduits with feeder circuits from the intersection of North Wolfe Road and East Homestead to the Central Plant via North Wolfe Road and Pruneridge Avenue. New feeder circuits may be required from PG&E's distribution network to the main site Central Plant and the Tantau satellite plants.
- **Recycled Water:** Apple is discussing with the City of Sunnyvale the possibility to bring a recycled water supply to the site. The most likely alignment would extend the line from the existing Sunnyvale Water Pollution Control Plant to the Apple Campus 2 along North Wolfe Road.

The above relocations are preliminary, subject to confirmation with the utility providers during design coordination and review.

Grading and Construction

Grading

The intent of the site grading strategy is to:

- Locate buildings out of the flood plain zone, and outside the top of the Calabazas Creek bank, such that the buildings will not be affected by Creek flows during a 100-year storm event.
- Generally grade the site away from the buildings toward the perimeter streets so that site storm water does not pose a flood risk to the buildings.
- Maintain a constant relationship between the elevation of the buildings and the surrounding landscape.
- Integrate storm water management treatment systems into the site grading strategy.
- Import topsoil for planted areas.
- Balance cut and fill on site.

The following areas of the Campus will require excavation:

- Two levels of basement parking located under the Main Building.
- Ramps to the underground parking and loading dock storage areas.
- Excavation and foundations for the Parking Garage and access tunnel.
- The basement elements of the Corporate Auditorium and Corporate Fitness Center.
- Site grading excavation.
- East and West of Tantau Office, Research and Development facilities.

Preliminary studies indicate a balanced site with no soil off-haul for the main site. Topsoil import will be required.

Construction

Apple's construction protocol will promote the use of alternative clean-burning fuels, modern fuel-efficient vehicles, and emissions reduction measures in order to achieve a "less than significant" level of air contaminants. Apple is still working on the details of these protocols.

Buildings

Main Building

The focal point of the proposed development is the four-story office, research and development Main Building comprising 2.8 million sq. ft. gross floor area above ground. This area also includes the in-building employee services, meeting spaces, office entrance areas, and circulation zones.

- **Employee Restaurant and Dining Facilities:** There will be a dining facility of about 60,000 sq. ft. with movable seating at ground level for 2,100 occupants, as well as about 20,000 sq. ft. of mezzanine space to seat an additional 600 people, with 1,750 seats on terraces for outdoor dining
- **Meeting Rooms:** Approximately 83,000 sq. ft. of space will be dedicated to meeting and breakout spaces within the communal zones of the building.
- **Kitchen and Loading Dock:** At the lower basement level, there will be a double-height kitchen and service loading dock, which together have a floor area of 130,000 sq. ft. The kitchen is located directly under the restaurant, and the loading dock is located outside the footprint of the Main Building above.
- **Plant Rooms:** There is 260,000 sq. ft. of space allocated for mechanical rooms within the Main Building, some of which is located below-grade, and some of which is located within the roof build-up above the 4th floor.
- **Engineering and Testing Spaces:** Approximately 15% of the Main Building area is allocated for technical support spaces.

Corporate Fitness Center

To the northwest of the Main Building, the proposed project also includes a Corporate Fitness Center of approximately 100,000 sq. ft. for use by employees. It will contain changing rooms, showers, laundry facilities, gym equipment, multi-purpose rooms for group classes and other related facilities.

Corporate Auditorium

An assembly space with fixed seating for 1,000 people is proposed for the southern part of the site comprising about 120,000 sq. ft. with pedestrian access off North Tantau Avenue, north of Calabazas Creek. The building also will contain a large lobby space, restrooms, and some back-of-house facilities, including a catering kitchen. The Corporate Auditorium will be served by 350 parking spaces in the North Tantau Parking Structure.

Central Plant

Co-location of services within a large integrated development will improve efficiency over the current disjointed development. In addition to the mechanical space within the Main Building (primarily located under the roof build-up), the project will locate the mechanical and electrical equipment that serves buildings on the main site in one location, containing fuel cells, back-up generators, chillers, condenser water storage, hot water storage, electrical substation, water and fire pumps.

Tantau Development Phase 2

Phase 2 includes 600,000 square feet of office, research and development buildings for up to 2,200 employees along North Tantau Avenue, providing flexibility to address future business needs. Construction of Phase 2 will follow completion of Phase 1. The Tantau sites will have small satellite plants.

Landscape

The Apple Campus 2 landscape framework primarily comprises landforms and vegetation found in the Oak Woodland and Oak Savanna that once were prevalent in the area. Within this setting, the site is developed in four different zones:

- Passively programmed Oak Savanna between the Parking Structure and the Main Building
- Active recreation, sports, and fitness areas in the northwest
- Pastoral and passive landscape in the northeast with an outdoor dining terrace associated with the Main Building Café.
- More intensely used and developed inner courtyard within the Main Building.

The inner courtyard combines natural and cultural elements, orchards and dining terraces, a large basin of water within a grove, an amphitheater within an orchard and woodlands, and numerous areas to walk, stroll, meet, rest, and work outdoors in shade or sun.

Ecological Context and Benefits:

- The Campus is located along the Pacific Flyway. Complex woodland planting with layered understory will provide urban habitat islands for many migrating songbirds. The vast majority of the 309 species to be planted in the new Campus are native to California. This diverse landscape will contribute significantly to the regional diversity of flora and fauna.
- The plant list does not include any plants listed by the California Invasive Pest Council (CALIPC) as invasive. Many of the existing plants on the site are listed as noxious weeds by CALIPC and will be removed and replaced with native plants; for example, Cotoneaster and Pyracantha along the perimeter will be replaced with Ceanothus spp. and Manzanitas.
- 15 acres of contiguous California grassland will be created as part of the Campus. All of these grasses are native to California. Dotted within the grassland will be occasional perennials and bulbs, the vast majority of which are native to California.
- This is to be a low watered, climate appropriate landscape. Irrigation will be applied to the Campus during the dry season, but all plants (excluding the limited amount of lawn) are drought tolerant and

will survive with minimal irrigation (1-2x/month during the dry season). Although approximately 50% of the oaks on Campus are not native to California, they are good, drought-adapted trees that will function well in this climate.

- Sudden Oak Death (SOD), an oak disease caused by Phytophthora Ramorum, is currently impacting the Coast Live Oak, Black Oak and Tan Oak populations throughout California. Coast Live Oak is by far the most numerous oak species in the Santa Clara Valley, but it is threatened by SOD. Species affected by SOD are primarily the Red/Black Oaks. By increasing the diversity of oaks on Campus to include a variety of evergreen and deciduous oaks from other oak groups (White, Cerris, Intermediate), the Campus will be more resilient to SOD and other diseases.
- The existing Memorial Tree identified in the arborist report as Tree #1034 – Memorial English Oak – will be transplanted to a public location along Tantau Avenue near the Calabazas Creek.
- In addition to the Memorial Tree, eleven other existing Specimen Trees, as identified by the arborists report, will be transplanted to new locations on site and three Specimen Trees will be preserved in place. The remaining fifty-four Specimen Trees to be removed will be replaced at a two to one ratio.

Calabazas Creek Linkage

The pedestrian route along North Tantau Avenue associated with Calabazas Creek (between Pruneridge Avenue and Vallco Parkway) will be an improved experience. The walkway itself will provide more comfort and safety, improved materials, planting, and marked bicycle lanes. New interpretative signage will be located adjacent to Creek view sheds at the North Tantau Avenue crossing, the I-280 overpass, and at the Vallco Parkway crossing.

Within the 50-foot zone adjacent to the Calabazas Creek right-of-way, planting follows guidelines and standards for land use near streams from both the California Native Plant Society and the Santa Clara Valley Water District's Qualifying Plant List. The project includes only local cultivars of native species along the Creek. Plans will be reviewed with the Santa Clara Valley Water District for final approval.

Soundwall

A soundwall along the northern side of the I-280 freeway will protect the site from noise pollution of the freeway.

Environmental Sustainability

Apple's commitment to innovation and environmental sustainability is provided through net zero energy buildings, a climate-responsive design, a comprehensive multi-modal transportation plan, a compact land use that reduces building and parking footprints and the heat island effect, and a landscape plan reminiscent of the natural California landscape, including the use of native and drought-tolerant vegetation. Access to daylight, views and natural ventilation provide strong inside-outside connections. The environmental sustainability features are designed to provide a net zero increase of greenhouse gas emissions, minimize natural resource consumption and improve the air, water, light and micro-climate quality of the site.

Additional sustainability features are as follows:

- Co-location of services within the large integrated Campus development will improve efficiency over the current disjointed land use.
 - The number of inter- and intra-Campus car trips generated will be reduced through Apple's existing and extensive TDM programs.
 - The Central Plant serves as a primary consolidation point for heating, cooling and electricity for the main site.
 - Approximately 9,240 of the 10,980 parking spaces provided on-site will be provided in sub-grade levels or in a parking structure, creating more permeable landscape and minimizing heat island effect.
 - In excess of 6,000 trees will be planted on the site, including fruit trees, in addition to retaining approximately 1,000 trees currently on the site.
 - The project will increase the permeable area on site from about 42 acres to approximately 109 acres.
- Buildings will be designed to allow for passive heating and cooling and high performance building systems.
 - The project's overall energy needs will be provided by renewable energy. The majority will be generated on-site through the use of photovoltaics and fuel cells with directed biogas. These will be supplemented by grid purchased renewable energy if needed during periods of peak demand.
 - Approximately 8MW of photovoltaics will be installed on the Main Building and parking structure roofs.
 - The sites east and west of North Tantau Avenue will also be served by 100% renewable energy, maximizing the use of photovoltaics and fuel cells on-site.

Energy

Apple is committed to using 100% renewable energy throughout Apple Campus 2, with an emphasis on on-site generation from photovoltaics and fuel cells. The Main Building will incorporate a variety of technologies that help to achieve Apple's net zero energy goal. Initiatives include radiant conditioning systems, LED electric lighting, natural ventilation, and green information and communication technologies. Other energy initiatives include:

- 300 electrical vehicle charging stations will be provided, with built-in capacity to expand.

Acoustics

Operation of mechanical equipment for the completed project will be subject to the City of Cupertino Municipal Code, Chapter 10.48 'Community Noise Control'. Since non-emergency equipment to be installed as a permanent part of the project may be operated during the day or night, the design approaches implemented shall reflect the more stringent nighttime noise requirements of the City of Cupertino Municipal Code, which is to not to exceed 55 dBA on adjacent residential properties. To that end, the layout, selection of equipment and noise control approaches, such as barrier walls or add-on noise reducing devices, will be designed to achieve a noise level during operation of less than 55 dBA when measured in outdoor areas of adjacent residential properties.

Mobility

Apple will expand its already robust Transportation Demand Management (TDM) program by 20%, increasing the reduction in peak hour trips from 28% to 34%. Key elements of the TDM program include expansion of the employee shuttle program to access all regional public transportation systems and communities with concentrations of Apple employees, targeting employees residing within 15-minutes of the Campus. Management of the site's limited parking supply will be used as an incentive for employees to take advantage of Apple's alternative commute offerings.

Water

A recycled water main connection to the site is under consideration. Apple is currently discussing the potential recycled water line with the City of Sunnyvale. The most likely alignment would extend the line from the existing City of Sunnyvale Water Pollution Control Plant to the Apple Campus 2 site along North Wolfe Road. A final route and design specifications, including capacity, have not been determined.

The reduction of impermeable surfaces on site, and roof rainwater capture from the Main Building roof will promote natural drainage, reduce storm water runoff and improve water quality in Calabazas Creek. Landscaping will incorporate both young and mature trees, and native and drought tolerant plants, which will minimize water consumption. Water efficiency initiatives include the evaluation of low flow fixtures. Water use would be reduced by about 30 percent below a typical commercial development within the Silicon Valley area.

Waste

Apple will expand its current waste management program, which achieves a diversion rate of 78%. During construction of Apple Campus 2, the goal is to divert construction and demolition waste from landfills by finding multiple alternative uses, such as recycling, reuse on site or on other sites. Key elements of the waste management program during operations are the increase of material reuse, recycling from solid waste sources and composting.

Green Building Codes and Regulations

Apple will exceed sustainability requirements set by the Cupertino Green Building Ordinance (GBO), the California Green Building Standards Code ("CalGreen", Title-24, Part 11), and the Californian Energy Efficiency Standards (Title 24, Chapter 6). The Cupertino GBO and CalGreen have been recently enacted and represent a new level of sustainability – thereby setting a significant performance baseline for Apple Campus 2 to exceed.

Site Connectivity, Linkages and Public Improvements

As part of the proposed project, Apple will improve the quality of public spaces surrounding the site to enhance the pedestrian and bicycle experience, as follows: (See Exhibit A-5)

North Tantau Avenue

- Providing a fully landscaped median along North Tantau Avenue from the I-280 bridge to East Homestead Road in all locations where existing trees and topography allow.
- Providing fully detached sidewalks along North Tantau Avenue from I-280 to East Homestead Road.
- Improving the bicycle and pedestrian links on the Tantau Bridge across I-280 by providing sidewalks on both sides, and a bicycle lane, which is separated from vehicular traffic by a buffer zone. This will connect the east-west bicycle and pedestrian links from Pruneridge Avenue east of North Tantau Avenue to East Homestead Road, and it will enhance the bicycle and pedestrian connectivity to Vallco Parkway and North Wolfe Road south of I-280.
- Pedestrian scale lighting, enhanced paving and enhanced railings will be provided on the Tantau Bridge across I-280.
- Restriping and/or providing colored bike lanes on both sides of the street.
- Establishing a link from the Calabazas Creek crossing of North Tantau Avenue to its junction with Vallco Parkway to the south across I-280 through specialty paving, signage, way finding and other features.
- Reducing the number of curb cuts and left-turn lanes on North Tantau Avenue.
- Introducing public art in a location along North Tantau Avenue.
- Creating architectural elements and landscaping at the Tantau Visitor entrance to the project site.
- Improving and upgrading utility connections impacted by the project.

North Wolfe Road

- Providing fully detached sidewalks along North Wolfe Road from I-280 to East Homestead Road, in all locations where existing trees and topography allow.
- Increasing vehicular capacity of North Wolfe Road to allow for increased traffic demand.
- Establishing an off-street bicycle lane in connection with the Campus' new entry.
- Planting new trees along North Wolfe Road wherever trees will be removed.
- Retaining existing trees and enhancing the buffer to the site with new planting wherever practicable.
- Improving and upgrading utility connections impacted by the project.
- Restriping and/or providing colored bike lanes on both sides of the street.
- Pedestrian scale lighting, enhanced paving and enhanced railings will be provided on the Wolfe Bridge across I-280.

East Homestead Avenue

- Reducing the number of curb cuts and left-turn lanes to improve pedestrian and bicycle safety.
- Connecting bicycle paths with North Tantau Avenue and North Wolfe Road.
- Restriping and/or providing bike lanes on both sides of the street.
- Providing a landscaped median along the entire block where space and vehicular movement allow.
- Potentially expanding the recycled water system to service the proposed project, as well as parks and other sites in the area that could benefit from the use of recycled water.
- Improving and upgrading utility connections impacted by the project.

Vallco Parkway

- Providing fully detached sidewalks along Vallco Parkway adjacent to the Apple sites, in all locations where existing trees and topography allow.
- Connecting bicycle paths with North Tantau Avenue and North Wolfe Road.
- Restriping and/or providing colored bike lanes on both sides of the street.
- Coordinating with the City and landowners on stormwater improvements, road markings, signage, and crosswalk enhancements along the northern side of Vallco Parkway between North Tantau Avenue and North Wolfe Road.

Pruneridge Avenue

- The segment of Pruneridge Avenue between North Tantau Avenue and Santa Clara has been narrowed to a residential scale with two vehicular lanes with a landscaped median, striped bike lanes on both sides, detached sidewalks, and enhanced landscaping.
- Pruneridge Avenue east of North Wolfe Road has also been reduced to a two lane road with detached sidewalks and enhanced landscaping on the northern side. A cul-de-sac ensures emergency vehicle maneuverability.

Exhibit A-1 Visualization 1



View of Landscaped Green Space for Apple Employee Recreation

Exhibit A-2 Visualization 2



View of Main Building and Green Space Linkage

Exhibit A-3 Visualization 3



View of Net Zero Energy Office, Research and Development Building

Exhibit A-4 Visualization 4



View of Perimeter Bicycle and Pedestrian Enhancements

Exhibit A-5 Apple Campus 2 Site Development Overview

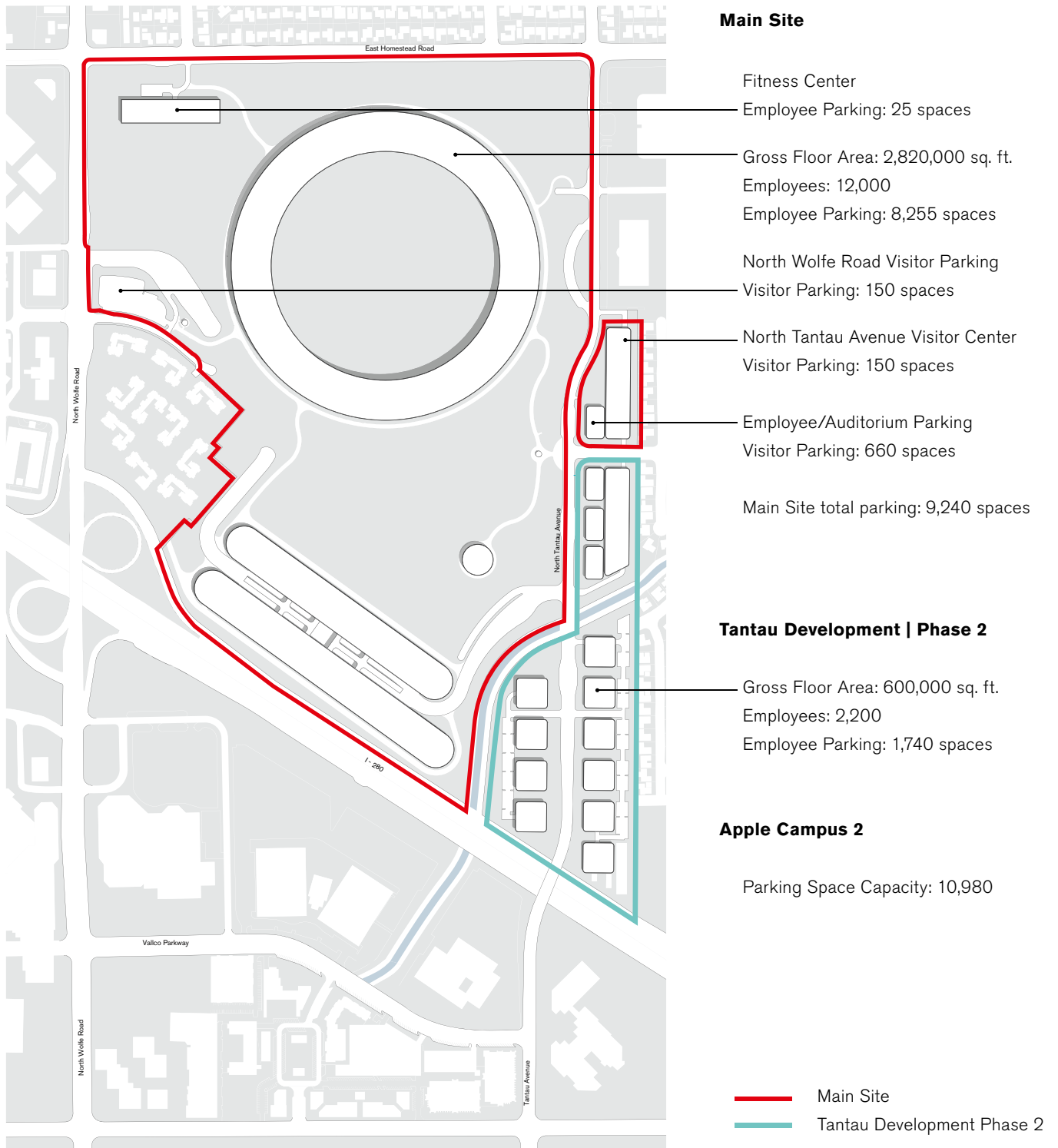
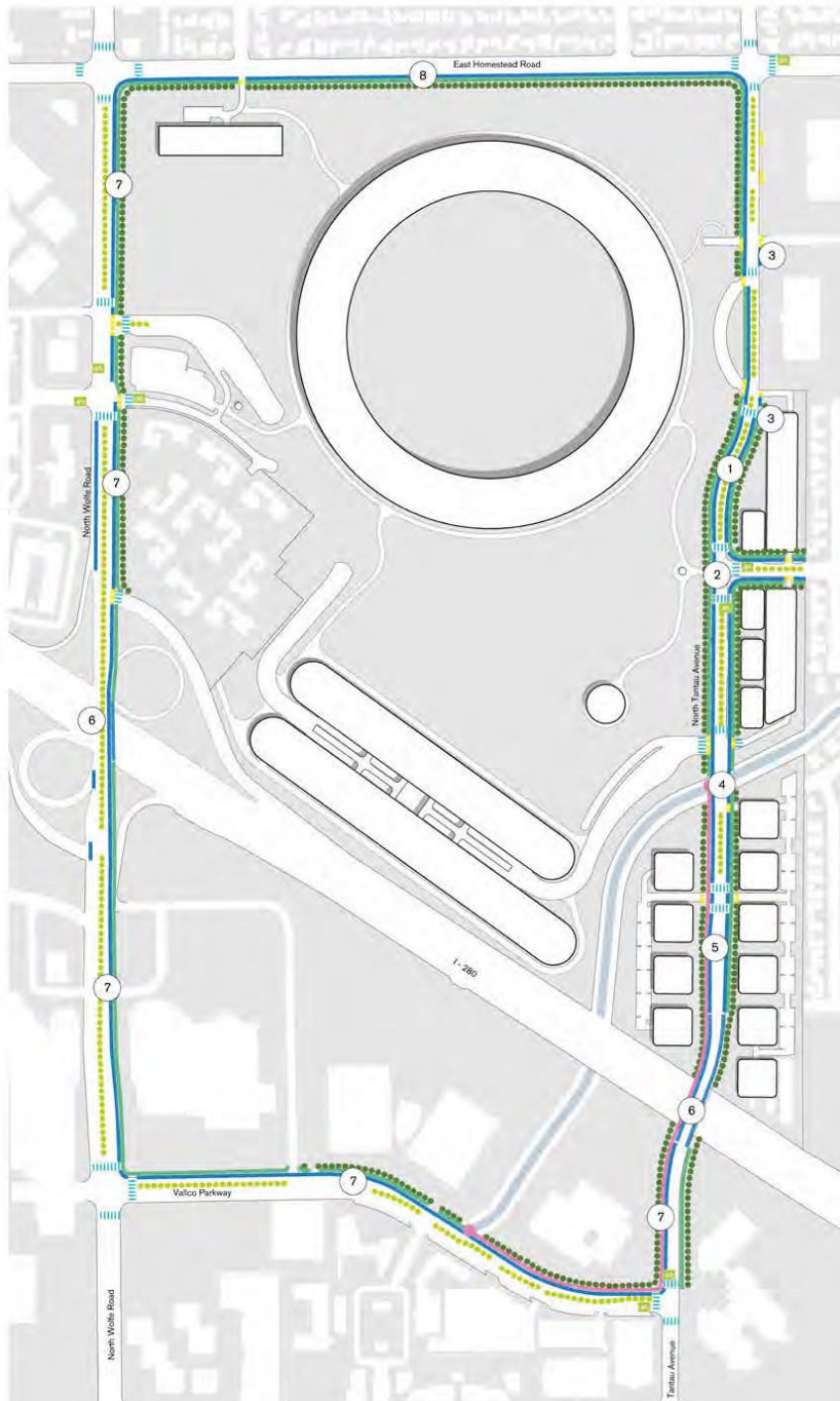


Exhibit A-6 Site Connectivity, Linkages and Public Realm Improvements



North Tantau Avenue

1 Tantau Avenue is enhanced as a landscaped boulevard with detached sidewalks, plantings, landscaped median, and clearly demarcated bike lanes on both sides.

2 Tantau Visitor Entrance

3 Additional Bike/Ped Crossings

4 Pedestrian bridges along both sides over bridge.

5 Creek Trail linkage enhanced with paving and landscape plantings.

6 Bike/Ped Connection Over I-280 on both sides of the road.

Vallco Parkway North Wolfe Road

7 Detached sidewalks, enhanced plantings, landscaped median, and/or painted bike lanes.

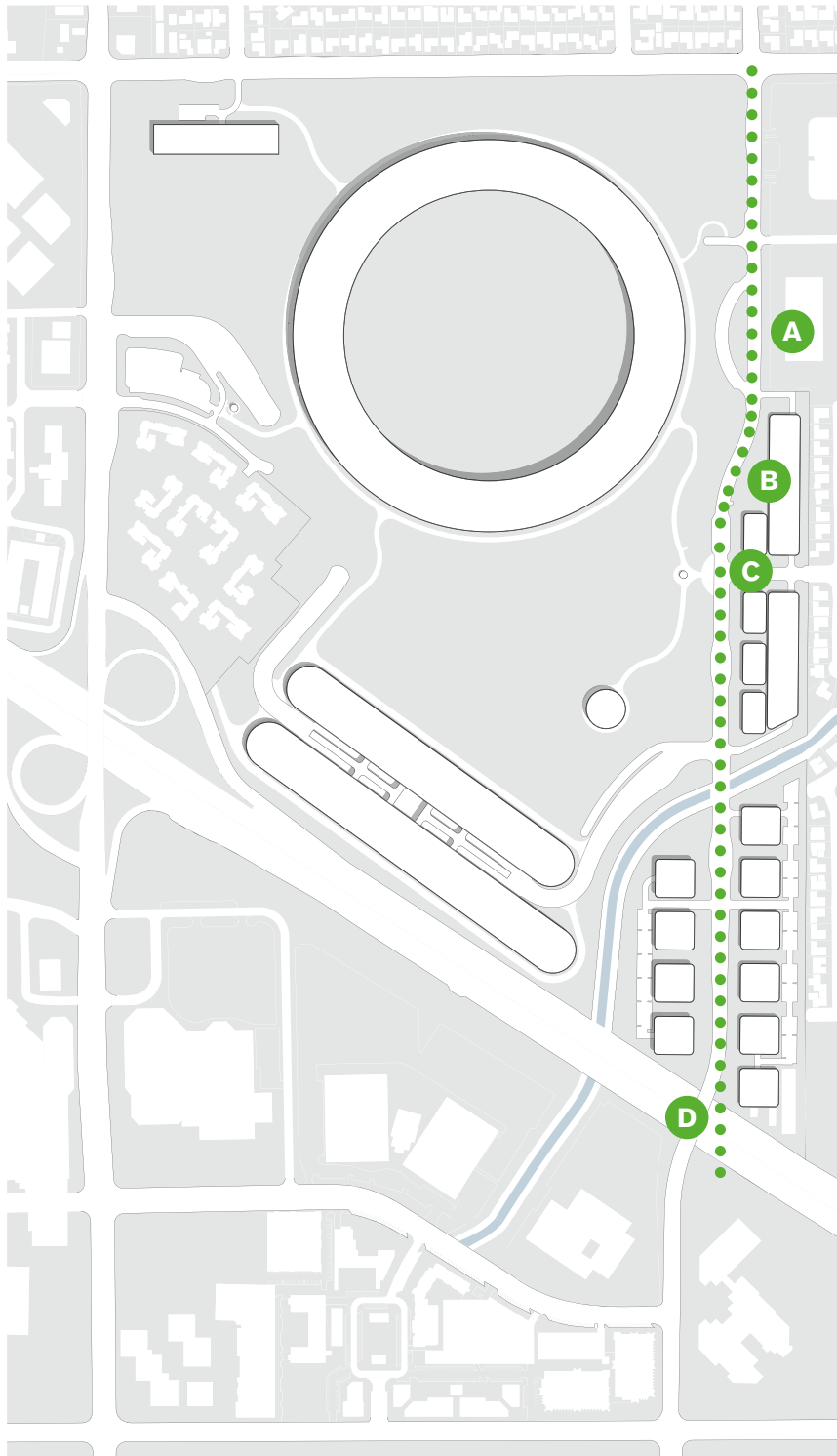
East Homestead Road

8 Curb cuts reduced to a single entry, enhanced landscape plantings, repaving, and replanting.

- Marked Left Turn Lane
- Concrete Median
- Landscape Median
- Landscape Enhancement
- Detached Sidewalk
- Attached Sidewalk
- Proposed Creek Trail Linkage
- Raised Pedestrian Crossing
- Pedestrian Crosswalk
- Bicycle Crossing Striping
- Marked Bicycle Lane
- Protected Bicycle Lane
- Undesireable Bike/Ped Condition
- Curb Cut
- Bike Box



Exhibit A-7 Public Art



Potential Locations

- A** Transit Center Crescent
- B** North of Tantau Auditorium and Visitor Parking
- C** Pruneridge Avenue Terminus
- D** Linear Element Series on Tantau Avenue



Exhibit A-8 Site Map and Gross Site Areas

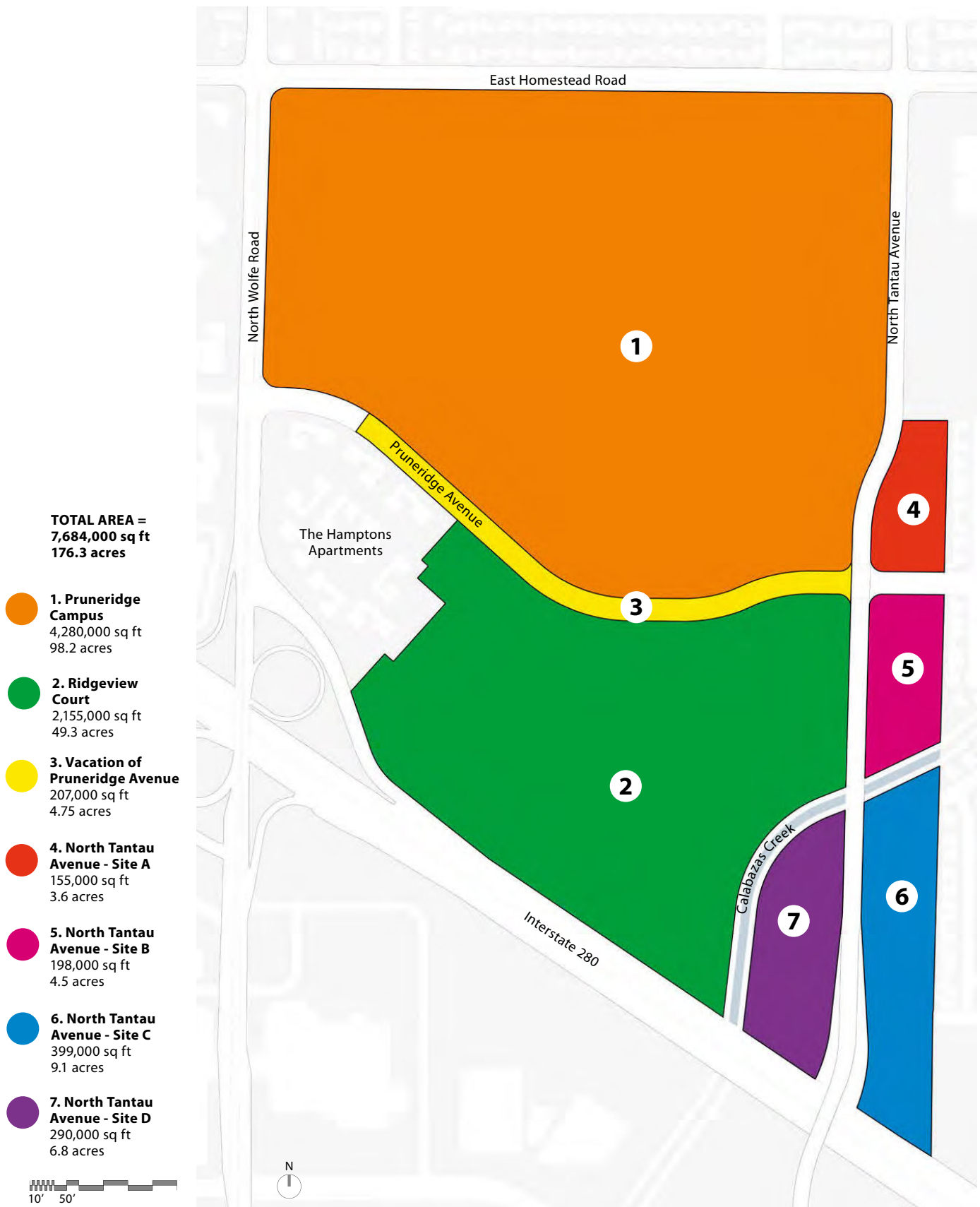


Exhibit A-9 Description of Site

Coordinating with the City and landowners on stormwater improvements, road markings, signage, and crosswalk enhancements along the northern side of Vallco Parkway between North Tantau Avenue and North Wolfe Road.

The plots that will be combined to create Apple Campus 2 are all located within the North Vallco District and have been designated by the City of Cupertino as a center for employment.

The site comprises a series of mostly adjacent parcels, which Apple currently owns, as follows:

Plot 1: Pruneridge Campus

19111 Pruneridge Avenue, APN: 316 07 044, 316-07-045, 316-07-046, Zoning P/MP

This site (formerly the Hewlett Packard campus) is bounded by East Homestead Road to the north, Pruneridge Avenue to the south, North Tantau Avenue to the east, and North Wolfe Road to the west. It contains 9 buildings, comprising approximately 1.3 million sq. ft. of office space.

Site Area: 98.2 acres

Plot 2: Ridgeview Court

10600 Ridgeview Court, APN: 316 06 045, Zoning P/MP
10400 Ridgeview Court, APN: 316 06 046, Zoning P/MP
10500 Ridgeview Court, APN: 316 06 053, Zoning P/MP
10501 N Tantau Avenue, APN: 316 06 052 Zoning P/MP
10555 Ridgeview Court, APN: 316 06 048, Zoning P/MP
19050 Pruneridge Avenue, APN: 316 06 033, Zoning P/MP
19310 Pruneridge Avenue, APN: 316 06 051, Zoning P/MP
19320 Pruneridge Avenue, APN: 316 06 050, Zoning P/MP
APN: 316 06 049 (Vacant), Zoning P/MP

This site is bounded by Pruneridge Avenue to the north, the I-280 Freeway to the south, North Tantau Avenue to the east and the Hamptons Apartments (owned by the Irvine Company) to the west. It contains 7 buildings currently used by Apple as part of its Ridgeview Campus, and contains about 900,000 sq. ft. of office space. In 2009, a portion of this site was re-zoned by the City to allow for office use.

Site Area: 49.3 acres

Plot 3: Vacation of Pruneridge Avenue

This single site includes a portion of Pruneridge Avenue, currently owned by the City of Cupertino, bounded by the access point to the Hamptons Apartments to the west, and continuing to North Tantau Avenue to the east. The vacation of this portion of Pruneridge Avenue will require

an amendment to the Cupertino General Plan, which designates Pruneridge Avenue as a minor collector road.

Site Area: 4.75 acres.

Plot 4: North Tantau Avenue - Site A

10700 N Tantau Avenue, APN: 316 09 028, Zoning P/MP
10670 N Tantau Avenue, APN: 316 09 019, Zoning P/MP
APN: 316 09 027 (Vacant), Zoning P/MP

This site is bounded by 10900 North Tantau Avenue to the north (APN 316 09 029), Pruneridge Avenue to the south, North Tantau Avenue to the west and the City of Cupertino – City of Santa Clara boundary line to the east. There are detached single-family homes to the east.

Site Area: 3.6 acres

Plot 5: North Tantau Avenue - Site B

10600 N Tantau Avenue, APN: 316 18 035, Zoning P/MP
APN: 316 18 012 (Vacant), Zoning P/MP

This site is bounded by Pruneridge Avenue to the north, Calabazas Creek to the south, North Tantau Avenue to the west and the City of Cupertino – City of Santa Clara boundary line to the east. There are detached single-family homes to the east.

Site Area: 4.5 acres

Plot 6: North Tantau Avenue - Site C

10300 N Tantau Avenue, APN: 316 18 025, Zoning P/MP
10430 N Tantau Avenue, APN: 316 18 027, Zoning P/MP
APN: 316 18 026 (Vacant), Zoning P/MP

This site is bounded by Calabazas Creek to the north, the I-280 Freeway to the south, North Tantau Avenue to the west and the City of Cupertino - City of Santa Clara boundary line to the east. There are detached single-family homes and the Jenny Strand Park to the east.

Site Area: 9.1 acres

Plots 4, 5 and 6 contain about 260,000 sq. ft. of office space.

Plot 7: North Tantau Avenue - Site D

10435 N Tantau Avenue, APN: 316 06 039, Zoning P/MP
APN: 316 06 038 (Vacant), Zoning P/MP

This site is west of North Tantau Avenue, adjacent to the Calabazas Creek. It contains one building currently in use by Apple as part of its Ridgeview Campus.

Site Area: 6.8 acres

EXHIBIT 20

TECHNOLOGY SEPTEMBER 8, 2015 10:55 AM

Apple seems keen on Elk Grove expansion

HIGHLIGHTS

Company to add 1,400 parking spaces, apparently to accommodate hiring growth

Elk Grove already a major iPhone repair site, according to state records

Site has staged a comeback since 2004 factory shutdown



BY DALE KASLER

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Fueled in part by the popularity of the iPhone, Apple Inc. and a subcontractor have hired hundreds of workers at Apple's Elk Grove campus in the past few years, and more jobs are apparently coming.

Details are few, but Apple filed paperwork with the city last week to add approximately 1,400 parking spaces at its Elk Grove campus in order "to manage parking demand long term," said Darrell Doan, the city's economic development director, in an email.

The project would increase parking capacity by about two-thirds at the Laguna Boulevard site, according to records supplied by the city. Apple Elk Grove opened in 1991 and once served as a major manufacturing facility for the Cupertino technology giant.

City officials said the parking expansion is designed to keep pace with an expanding workforce.

"It appears to be a big deal," said Elk Grove Mayor Gary Davis. "That many parking places means they're laying some infrastructure for expansion." He said he's been told that the facility's workforce has grown steadily in the past few months alone.

The ever-secretive company won't discuss in detail what tasks are currently performed at the campus. A Securities and Exchange Commission filing last October said Elk Grove's operations include "warehousing and distribution operations and a customer support call center," but offered no additional information.

However, state records show that Elk Grove has quietly become a major repair site for Apple's iPhones. A Division of Occupational Safety and Health inspection report, dated in January, showed 781 employees repairing iPhones. The staffers aren't actually Apple employees but work for Pegatron Technology Services Inc., the U.S. subsidiary of Apple's Taiwanese manufacturing subcontractor Pegatron Corp.

Sung Han, Pegatron Technology's vice president for business development, said "I'm not at liberty" to discuss any of Pegatron's operations.

A spokesman for Apple wasn't available for comment Tuesday.

Apple's paperwork didn't spell out when the parking lot expansion, set for the northeast corner of Apple's property, would take place. Records furnished by the city say Apple's campus consists of four buildings covering a total of 780,000 square feet of space.

The expansion comes as Apple, responding in part to political pressures over its outsourcing activities, has stepped up its U.S. hiring the past few years. It has built massive data centers in Reno and Mesa, Ariz., and started assembling its high-end Mac Pro desktop computers two years ago in Austin, Texas. About 600 employees have been hired just in the past year in Austin, pushing employment there past 5,000, according to the Austin American-Statesman.

Despite its heavy overseas presence, Apple "wants to have a big concentration of workers within ... shouting distance of headquarters," said Tim Bajarin of San Jose tech consultant Creative Strategies Inc. He said Apple is planning two more buildings in north San Jose.

Along similar lines, Apple has been adding staff in Elk Grove for some time in what has become a major turnaround at the Laguna location.

Employment in Elk Grove hovered in the 1,500 range for much of the 1990s. It was a point of civic pride that Elk Grove workers assembled the candy-colored first generation iMacs, the popular desktop computers whose popularity helped Apple pull out of a deep and lengthy slump in the late 1990s.

Apple, though, pulled iMac production out of Elk Grove in 1999. After the company closed its assembly line altogether in 2004, eliminating 235 jobs, total employment on Laguna Boulevard dipped well below 1,000, according to figures provided by Apple.

The company cut 174 sales and customer-support jobs in Elk Grove in 2008, but otherwise employment has grown in recent years. An Apple spokeswoman, Kristin Huguet, told the Sacramento Business Journal that employment grew 50 percent in 2012 alone, to 1,800 workers. The Business Journal, citing data from the city, said employment reached 2,500 last summer, although city spokeswoman Kristyn Nelson said Tuesday she was unable to confirm that figure.

It's unclear how long Pegatron has been repairing iPhones for Apple in Elk Grove. The Taiwanese company has emerged as a major Apple contractor in the past couple of years. It now makes a significant portion of Apple's iPhones, taking business away from another

Taiwan company, Foxconn. Pegatron reported profit of \$322 million in the first six months of this year, a 77 percent increase from a year earlier. Revenue grew 14 percent to \$15.9 billion.

Apple’s relationship with Pegatron has been controversial at times. A New York nonprofit called China Labor Watch in 2013 issued a report saying Pegatron’s factories in China used under-age labor, offered insufficient wages and had numerous other problems. Pegatron replied by issuing a statement saying it would correct any violations of Chinese labor laws and “our own code of conduct.” The “Supplier Responsibility” section of Apple’s website says the company is committed to eliminating unethical labor practices.

Dale Kasler: 916-321-1066, @dakasler

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JoAnn Anglin

190 days ago



I think this is mainly good, since the site is already there, and should spur some local small service businesses in the area. Now I wish the county would use this as a model and try to bring more large employers along the stretch of Franklin Blvd between Fruitridge and Florin.

Reply Share

0 0



Lane Davis

190 days ago

Instead of providing 1,400 parking spaces, the government should be demanding 1,400 ONSITE RESIDENCES to stop the traffic and sprawl.

Apple can afford it, their employees can afford it.

Reply Share

0 0

EXHIBIT 21

FOR THE EXCLUSIVE USE OF M.D.SAUNDERS@GMAIL.COM

From the Sacramento Business Journal:

<http://www.bizjournals.com/sacramento/news/2015/12/07/something-huge-is-brewing-apples-elk-grove-campus.html>

Something big is brewing at Apple's Elk Grove campus

Dec 7, 2015, 3:43pm PST Updated: Dec 7, 2015, 3:54pm PST

Construction work quietly underway at Apple's campus in Elk Grove is for a major expansion that could mean several thousand new jobs, city officials say.

The company is converting a 134,000-square-foot warehouse into a logistics operation. That move, along with addition of 1,450 parking spaces beginning last summer, points to many more employees, said Darrell Doan, the city's economic development director.

Apple, which has pulled a series of building permits recently, is investing at least \$13 million in the Elk Grove campus. Work includes adding medical and dental facilities, a massage room, exercise room and yoga studio. These amenities are the kind that technology companies tend to include in Silicon Valley campuses as a way to recruit and retain employees.

City officials say the company also is working with the city's transportation department to evaluate bus service for Apple employees and subcontractors at the site through several shifts.



DENNIS MCCOY | SACRAMENTO BUSINESS JOURNAL

Apple's Elk Grove campus could add thousands of new workers once the current expansion and renovation is complete.

"As indicated from the work, Apple is undertaking a major expansion in Elk Grove," Doan said.

Apple (NASDAQ: AAPL) declined to comment on the project. The company has had operations in Elk Grove since 1992. Over that time, its workforce has grown and shrank many times, falling to about 1,200 employees by 2009.

Over the past six years at least, the company steadily has been growing its operations in Elk Grove, with the company confirming in 2014 an employee count of about 2,500.

The Elk Grove site handles warehousing and distribution as well as a customer-support call center. Some reports have said Elk Grove delivers iPhone repair and logistics.

The site also has the electrical capacity to support a major data center, so it could be a co-location center for iTunes. The Elk Grove plant has its own electrical substation from the Sacramento Municipal Utility District.

Although Apple leases many of its buildings around the world, it owns its buildings in Elk Grove. It also owns an additional 20 acres on Laguna Boulevard near Interstate 5.

Mark Anderson

Staff Writer

Sacramento Business Journal



EXHIBIT 22



Download iOS 9.0 – 9.2.1 Information

Languages English ▼

iOS 9.2.1

This update contains security updates and bug fixes including a fix for an issue that could prevent the completion of app installation when using an MDM server.

For information on the security content of this update, please visit this website: <https://support.apple.com/HT201222>

iOS 9.2

- Apple Music improvements
 - You can now create a new playlist when adding a song to a playlist
 - Your most recently changed playlist is now listed at the top when adding songs to playlists
 - Download albums or playlists from your iCloud Music Library by tapping the iCloud download button
 - See which songs have been downloaded with the new download indicator next to each song in My Music and Playlists
 - See works, composers, and performers while browsing Classical music in the Apple Music catalog
- A new Top Stories section in News so you can stay up to date with the most important news of the day (available in the United States, United Kingdom, and Australia)
- Mail Drop in Mail for sending large attachments
- iBooks now supports 3D Touch to peek and pop pages from the table of contents, your notes and bookmarks, or from search results inside a book
- iBooks now supports listening to an audiobook while you browse your library, read other books, or explore the iBooks Store
- iPhone support for the USB Camera Adapter to import photos and videos
- Improved stability of Safari
- Improved stability of Podcasts
- Fixing an issue that caused mail attachments to be inaccessible for some users with POP email accounts
- Resolving an issue for some users that caused attachments to overlap text in mail
- Fixing an issue where Live Photos could have turned off after restoring from a previous iCloud backup
- Addressing an issue that could cause search in Contacts to display no results
- Resolving an issue that could have prevented Calendar from displaying all seven days in week view
- Fixing an issue where Camera screen on iPad could be black when attempting to capture video
- Addressing an issue that could cause instability in the Activity app when viewing the day of Daylight Savings Time transition
- Fixing an issue that could prevent data from appearing in Health
- Fixing an issue that could prevent Wallet updates and Lock screen alerts from displaying
- Addressing an issue where updating iOS could prevent an alarm from going off
- Fixing an issue where some users were unable to log in to Find my iPhone
- Fixing an issue that prevented some manual iCloud Backups from completing
- Addressing an issue where using the iPad keyboard could unintentionally trigger text selection mode
- Improved keyboard responsiveness when using Quick Reply
- Improved punctuation input on the 10-key Chinese (Pinyin & Stroke) keyboards with new expanded view of punctuation symbols and better predictions
- Fixing an issue on Cyrillic keyboards where caps lock would be enabled when typing in URL or email fields
- Accessibility improvements
 - Fixing issues with VoiceOver when using Camera face detection
 - Adding support for VoiceOver to wake up the screen
 - Adding support for VoiceOver to invoke app switcher with 3D Touch gesture
 - Fixing an issue with Guided Access when trying to end phone calls
 - Improved functionality for Switch Control users when using 3D Touch
 - Fixing an issue with speech rate of Speak Screen
- Siri support for Arabic (Saudi Arabia, United Arab Emirates)

For information on the security content of this update, please visit this website:
<https://support.apple.com/HT201222>

iOS 9.1

This release includes new features, improvements and bug fixes, including:

- Live Photos now intelligently senses when you raise or lower your iPhone, so that Live Photos will automatically not record these movements
- Over 150 new emoji characters with full support for Unicode 7.0 and 8.0 emojis
- Improved stability including CarPlay, Music, Photos, Safari, and Search
- Improved performance while in Multitasking UI
- Fixes an issue that could cause Calendar to become unresponsive in Month view
- Fixes an issue that prevented Game Center from launching for some users
- Resolves an issue that zoomed the content of some apps
- Resolves an issue that could cause an incorrect unread mail count for POP mail accounts
- Fixes an issue that prevented users from removing recent contacts from new mail or messages
- Fixes an issue that caused some messages to not appear in Mail search results
- Resolves an issue that left a gray bar in the body of an Audio Message
- Fixes an issue that caused activation errors on some carriers
- Fixes an issue that prevented some apps from updating from the App Store

For information on the security content of this update, please visit this website:
<http://support.apple.com/kb/HT1222>

iOS 9.0.2

This update contains bug fixes and improvements including:

- Fixes an issue with the setting to turn on or off app cellular data usage
- Resolves an issue that prevented iMessage activation for some users
- Resolves an issue where an iCloud Backup could be interrupted after starting a manual backup
- Fixes an issue where the screen could incorrectly rotate when receiving notifications
- Improves the stability of Podcasts

For information on the security content of this update, please visit this website:
<http://support.apple.com/kb/HT1222>

iOS 9.0.1

This update contains bug fixes including:

- Fixes an issue where some users could not complete setup assistant after updating
- Fixes an issue where sometimes alarms and timers could fail to play
- Fixes an issue in Safari and Photos where pausing video could cause the paused frame to appear distorted
- Fixes an issue where some users with a custom APN setup via a profile would lose cellular data

For information on the security content of this update, please visit this website:
<http://support.apple.com/kb/HT1222>

iOS 9.0

With this update your iPhone, iPad and iPod touch become more intelligent and proactive with powerful search and improved Siri features. New multitasking features for iPad allow you to work with two apps simultaneously, side-by-side or with the new Picture-in-Picture feature. And, built-in apps become more powerful with detailed transit information in Maps, a redesigned Notes app, and an all-new News app. And improvements at the foundation of the operating system enhance performance, improve security and give you up to an hour of extra battery life.

Intelligence

- Proactive assistance
 - Presents relevant information even before you start typing
 - Notifies you when you need to leave for appointments using traffic conditions
 - Learns what you listen to in a certain location or at a particular time of day and can automatically display playback controls for your preferred music and audio apps
 - Suggested events and contact details are added to apps based on information found in Mail
- Siri improvements
 - Search your personal photos and videos based on dates, locations and album names
 - Ask Siri to remind you about things you're looking at in your apps, including Safari, Mail, Notes and Messages
 - Request directions via public transit

Spotlight search improvements

- Get sports scores, weather conditions and stock prices
- Simple math calculations and conversions
- Initiate messages, phone calls and FaceTime calls from contact search results

New iPad Features

- Slide Over
 - Quickly use a second app without leaving the one you're in
 - Easily switch between Slide Over apps
 - Support for Apple apps and enabled third party apps
- Split View
 - View and interact with two apps at once
 - Ability to resize your view to give equal attention to both apps or prioritize one app over another
 - Support for Apple apps and enabled third party apps
- Picture in picture
 - Continue watching a video while using your favorite apps
 - Support for Safari video, FaceTime, Videos and Podcasts and enabled third party apps

QuickType improvements

- Multi-Touch gestures for easier text selection on iPad
- Quick access to text editing tools with Shortcut Bar on iPad
- Support for hardware keyboard shortcuts
- Support for all Unicode emoji flags

Built-in Apps

Map improvements

- Support for public transit lines, station details with exits and entrances, schedules and directions in select major cities
- Browse for places around you by category, including Food, Drinks, Shopping, Fun and more
- Apple Pay support is indicated on place cards at participating retail locations
- Place cards include Wikipedia information for landmarks and cities

Redesigned Notes app

- Add photos to your notes with the built-in camera or from your Photo Library
- Create useful checklists and check off completed items with a tap
- Sketch a quick thought using just your finger
- Save interesting items directly from other apps using the Share menu

All-new News app

- Read your favorite newspapers, magazines, and blogs, or choose from over a million topics
- Beautiful typography and layouts, photo galleries, videos, animations, and more
- Browse articles that are chosen based on your interests in For You. Find channel and topic recommendations in Explore. News gets more personalized the more you read
- Easily share articles with friends or save them to read later — even when you're offline

Mail improvements

- Search improvements help you quickly find what you're looking for by filtering results based on sender, recipient, subject or a combination of options
- Support for Markup lets you annotate an image or PDF attachment with text, shapes and even your signature, then send it back — without leaving Mail
- Easily save the attachments you receive or add files from iCloud Drive or other document providers while composing a new message

Apple Pay and Wallet improvements

- Support for Discover cards
- Support for rewards cards and store credit and debit cards
- To check out even faster, you can prepare an upcoming payment by double-clicking the Home button from the Lock Screen and keeping your finger on Touch ID

New iCloud Drive app

- Easily search for a file or browse in the new iCloud Drive app by date, name, or tags you added on your Mac
- Open files in any compatible app or share with those you choose
- Organize folders and files
- Get the iCloud Drive app in Settings > iCloud > iCloud Drive and select Show on Home Screen

CarPlay improvements

- Plays back audio messages, letting you hear from people in their own voices
- Full support for car knob controls, so you can tilt and spin to scroll through lists or pan around in Maps
- Support for CarPlay apps from auto manufacturers

Foundation

- Longer battery life
- Up to one hour of additional time before you need to charge your battery
- Facedown detection for turning display off when not in use
- Low power mode optimizes device performance to extend battery by up to an additional three hours
- Software updates require less space to download and offer an option to install later
- iOS apps and user interface now use Metal to deliver faster scrolling, smoother animation, and better overall performance
- Improved security with two-factor authentication support and a default 6 digit passcode support for Touch ID devices

Other improvements

- New San Francisco system font
- Leave a message option if recipient isn't available for a FaceTime call
- Share voicemails from the Phone app using the share sheet
- Flight and package tracking for data detectors
- Health app adds support for reproductive health, UV exposure, water intake and sedentary state data types
- HomeKit adds support for motorized windows and shades, motion sensors and home security system accessories
- Podcasts has an all-new design, makes it easy to find the latest episodes of your favorite shows and notifies you when new episodes become available for you
- Support for Wi-Fi calling on iPad, iPod touch and Mac, without iPhone in proximity on participating carriers
- Wi-Fi Assist to automatically use cellular data when Wi-Fi connectivity is poor
- Transfer content from an Android device with the Move to iOS app, visit <http://www.apple.com/move-to-ios> for more details

Expanded language support

- New PingFang Chinese system font
- Improved predictions, learning and autocorrection for Chinese in QuickType
- Redesigned punctuation input on 10-key Chinese keyboard
- Redesigned User Interface for right-to-left languages
- Added Siri support for Austria, Belgium (French and Dutch), and Norway
- Added Spotlight search support for Mexico
- New keyboards for French (Belgium), German (Austria), Gujarati, Hindi (Transliteration), Hinglish, Punjabi, Spanish (Mexico), and Telugu
- Predictive input for French (Belgium), German (Austria), Korean, Russian, Spanish (Mexico), and Turkish
- Dictation support for Dutch (Belgium), English (Ireland, Philippines, South Africa), French (Belgium), German (Austria), and Spanish (Chile, Colombia)
- Spell check for Finnish and Korean
- Definition dictionary for Hindi, Norwegian and Swedish
- Bilingual dictionary for French-English and German-English
- New Japanese autocorrection and improved predictions and learning in QuickType
- Option to switch between number systems for Arabic and Hindi

Enterprise & Education

- Assign apps directly to iOS devices without needing to have an iTunes Store account configured
- Improved calendar reliability for customers using Microsoft Exchange ActiveSync v16
- Expanded Per App VPN support for the built-in IPSec and IKEv2 VPN clients
- New networking controls for managed apps to help limit international data roaming costs
- New restrictions to prevent changes to passcodes, device names and wallpapers, or to disable AirDrop on managed devices
- Third party app extension support for VPN, advanced content filtering, and captive Wi-Fi networks

Accessibility

- Touch Accommodations provides additional touch control for those with physical motor limitations
- Switch Control Recipes to customize features or create your own
- Support for Siri Voices for VoiceOver users
- Additional customization of AssistiveTouch
- Hardware keyboard support for Key Repeat, Slow Keys and Sticky Keys
- Improved MFi hearing aid audio routing to choose where audio is played

Some features may not be available for all countries or all areas, for more information visit: <http://www.apple.com/ios/feature-availability> and <http://www.apple.com/ios/whats-new>

For information on the security content of this update, please visit this website: <http://support.apple.com/kb/HT1222>

Post Date: Jan 19, 2016

System Requirements

Supported Languages

□ > Support

More ways to shop: Visit an Apple Store, call 1-800-MY-APPLE, or find a reseller.

EXHIBIT 23

Apple security updates

This document outlines security updates for Apple products.

For the protection of our customers, Apple does not disclose, discuss or confirm security issues until a full investigation has occurred and any necessary patches or releases are available. To learn more about Apple Product Security, see the Apple [Product Security website](#).

This document describes recent updates and releases.

Obtaining OS X

Information about obtaining OS X (client) can be found [here](#). Information about obtaining OS X Server can be found [here](#).

Software updates for OS X are available from:

- [Software Update](#)
- [Apple Support](#)

Apple Product Security PGP Key

For information, see [How to use the Apple Product Security PGP Key](#).

Security updates

Name and information link	Available for	Release date
Apple Software Update 2.2	Windows 7 and later	9 Mar 2016
Apple TV 7.2.1	Apple TV (3rd generation)	25 Feb 2016
tvOS 9.1.1	Apple TV (4th generation)	25 Jan 2016
Safari 9.0.3	OS X Mavericks v10.9.5, OS X Yosemite v10.10.5, OS X El Capitan v10.11 to v10.11.2	19 Jan 2016
OS X El Capitan 10.11.3 and Security Update 2016-001	OS X Mavericks v10.9.5, OS X Yosemite v10.10.5, OS X El Capitan v10.11 to v10.11.2	19 Jan 2016
iOS 9.2.1	iPhone 4s and later, iPod touch (5th generation) and later, iPad 2 and later	19 Jan 2016
QuickTime 7.7.9	Windows 7 and Windows Vista	7 Jan 2016
Security Update 2015-006 Yosemite	OS X Yosemite v10.10.5	11 Dec 2015

iTunes 12.3.2	Windows 7 and later	11 Dec 2015
Xcode 7.2	OS X Yosemite v10.10.5 or later	8 Dec 2015
Safari 9.0.2	OS X Mavericks v10.9.5, OS X Yosemite v10.10.5, OS X El Capitan v10.11 and v10.11.1	8 Dec 2015
watchOS 2.1	Apple Watch Sport, Apple Watch, Apple Watch Edition, and Apple Watch Hermes	8 Dec 2015
OS X El Capitan 10.11.2, Security Update 2015-005 Yosemite, and Security Update 2015-008 Mavericks	OS X Mavericks v10.9.5, OS X Yosemite v10.10.5, OS X El Capitan v10.11 and v10.11.1	8 Dec 2015
tvOS 9.1	Apple TV (4th generation)	8 Dec 2015
iOS 9.2	iPhone 4s and later, iPod touch (5th generation) and later, iPad 2 and later	8 Dec 2015
OS X Server 5.0.15	OS X Yosemite v10.10.5, OS X El Capitan v10.11.1 or later	21 Oct 2015
Xcode 7.1	OS X Yosemite v10.10.5 or later	21 Oct 2015
Mac EFI Security Update 2015-002	OS X Mavericks v10.9.5	21 Oct 2015
iTunes 12.3.1	Windows 7 and later	21 Oct 2015
OS X El Capitan 10.11.1, Security Update 2015-004 Yosemite, and Security Update 2015-007 Mavericks	OS X Mavericks v10.9.5, OS X Yosemite v10.10.5, and OS X El Capitan v10.11	21 Oct 2015
Safari 9.0.1	OS X Mavericks v10.9.5, OS X Yosemite v10.10.5, and OS X El Capitan v10.11	21 Oct 2015
watchOS 2.0.1	Apple Watch Sport, Apple Watch, Apple Watch Edition, and Apple Watch Hermes	21 Oct 2015
iOS 9.1	iPhone 4s and later, iPod touch (5th generation) and later, iPad 2 and later	21 Oct 2015
Keynote 6.6, Pages 5.6, Numbers 3.6, iWork for iOS 2.6	OS X Yosemite v10.10.4 or later, iOS 8.4 or later	15 Oct 2015
OS X El Capitan 10.11	Mac OS X v10.6.8 and later	30 Sept 2015
Safari 9	OS X Mavericks v10.9.5, OS X Yosemite v10.10.5, and OS X El Capitan v10.11	30 Sept 2015
iOS 9.0.2	iPhone 4s and later, iPod touch (5th generation) and later, iPad 2 and later	30 Sept 2015
watchOS 2	Apple Watch Sport, Apple Watch, and Apple Watch Edition	21 Sept 2015

OS X Server v5.0.3	OS X Yosemite v10.10.5 or later	16 Sept 2015
iTunes 12.3	Windows 7 and later	16 Sept 2015
Xcode 7.0	OS X Yosemite v10.10.4 or later	16 Sept 2015
iOS 9	iPhone 4s and later, iPod touch (5th generation) and later, iPad 2 and later	16 Sept 2015
QuickTime 7.7.8	Windows 7 and Windows Vista	20 Aug 2015
OS X Server v4.1.5	OS X Yosemite v10.10.5 or later	13 Aug 2015
iOS 8.4.1	iPhone 4s and later, iPod touch (5th generation) and later, iPad 2 and later	13 Aug 2015
OS X Yosemite 10.10.5 and Security Update 2015-006	OS X Mountain Lion v10.8.5, OS X Mavericks v10.9.5, OS X Yosemite v10.10 to v10.10.4	13 Aug 2015
Safari 8.0.8, Safari 7.1.8, and Safari 6.2.8	OS X Mountain Lion v10.8.5, OS X Mavericks v10.9.5, and OS X Yosemite v10.10.4	13 Aug 2015
QuickTime 7.7.7	Windows 7 and Windows Vista	30 June 2015
iTunes 12.2	Windows 8 and Windows 7	30 June 2015
Safari 8.0.7, Safari 7.1.7, and Safari 6.2.7	OS X Mountain Lion v10.8.5, OS X Mavericks v10.9.5, and OS X Yosemite v10.10.3	30 June 2015
Mac EFI Security Update 2015-001	OS X Mountain Lion v10.8.5, OS X Mavericks v10.9.5	30 June 2015
OS X Yosemite 10.10.4 and Security Update 2015-005	OS X Mountain Lion v10.8.5, OS X Mavericks v10.9.5, OS X Yosemite v10.10 to v10.10.3	30 June 2015
iOS 8.4	iPhone 4s and later, iPod touch (5th generation) and later, iPad 2 and later	30 June 2015
Watch OS 1.0.1	Apple Watch Sport, Apple Watch, and Apple Watch Edition	19 May 2015
Safari 8.0.6, Safari 7.1.6, and Safari 6.2.6	OS X Mountain Lion v10.8.5, OS X Mavericks v10.9.5, and OS X Yosemite v10.10.3	06 May 2015
OS X Server 4.1	OS X Yosemite v10.10 or later	08 Apr 2015
Xcode 6.3	OS X Yosemite v10.10 or later	08 Apr 2015
Apple TV 7.2	Apple TV 3rd generation and later	08 Apr 2015

iOS 8.3	iPhone 4s and later, iPod touch (5th generation) and later, iPad 2 and later	08 Apr 2015
OS X Yosemite 10.10.3 and Security Update 2015-004	OS X Mountain Lion v10.8.5, OS X Mavericks v10.9.5, OS X Yosemite v10.10 to v10.10.2	08 Apr 2015
Safari 8.0.5, Safari 7.1.5, and Safari 6.2.5	OS X Mountain Lion v10.8.5, OS X Mavericks v10.9.5, and OS X Yosemite v10.10.2	08 Apr 2015
Security Update 2015-003	OS X Yosemite v10.10.2	19 Mar 2015
Safari 8.0.4, Safari 7.1.4, and Safari 6.2.4	OS X Mountain Lion v10.8.5, OS X Mavericks v10.9.5, and OS X Yosemite v10.10.2	17 Mar 2015
Xcode 6.2	OS X Mavericks v10.9.4 or later	09 Mar 2015
Security Update 2015-002	OS X Mountain Lion v10.8.5, OS X Mavericks v10.9.5, and OS X Yosemite v10.10.2	09 Mar 2015
Apple TV 7.1	Apple TV 3rd generation and later	09 Mar 2015
iOS 8.2	iPhone 4s and later, iPod touch (5th generation) and later, iPad 2 and later	09 Mar 2015
OS X v10.10.2 and Security Update 2015-001	OS X Mountain Lion v10.8.5, OS X Mavericks v10.9.5, OS X Yosemite v10.10 and v10.10.1	27 Jan 2015
Safari 8.0.3, Safari 7.1.3, and Safari 6.2.3	OS X Mountain Lion v10.8.5, OS X Mavericks v10.9.5, OS X Yosemite v10.10.1	27 Jan 2015
iOS 8.1.3	iPhone 4s and later, iPod touch (5th generation) and later, iPad 2 and later	27 Jan 2015
Apple TV 7.0.3	Apple TV 3rd generation and later	27 Jan 2015

For information about earlier security updates, see these documents:

- [Apple security updates \(2014\)](#)
- [Apple security updates \(2013\)](#)
- [Apple security updates \(2011 to 2012\)](#)
- [Apple security updates \(2010\)](#)
- [Apple security updates \(15 Jan 2008 to 03 Dec 2009\)](#)
- [Apple security updates \(25 Jan 2005 to 21 Dec 2007\)](#)
- [Apple security updates \(03 Oct 2003 to 11 Jan 2005\)](#)
- [Apple security updates \(August 2003 and earlier\)](#)

Security updates are usually incorporated into later Software

Updates

Security updates released for OS X are usually incorporated into the next OS X Software Update.

Security updates may also be available for software released independently from OS X. Software Updates are packaged in a manner to keep systems secure. Security updates are only offered to systems that need the update, and not to later versions that have incorporated the Security Update. For more information, see the "Some, but not all, updates are displayed" section of [this document](#).

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Last Modified: Mar 15, 2016

Helpful?

84% of people found this helpful.

Additional Product Support Information



OS X El Capitan



OS X Mountain Lion



AirPort



OS X Yosemite



iCloud



Mac OS X Server



OS X Lion



OS X Mavericks



QuickTime



Mac OS X 10.6



Safari



Apple TV



iPad

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 [United States \(English\) >](#)

EXHIBIT 24

Job title, keywords, or company name

City or state

Find jobs

Software Prototype Designer



What is LinkedIn? Join Today Sign In



Santa Clara, CA, US

Posted 4 days ago

Apply on company website

Job description

Listing Info

The Media Applications design group at Apple is looking for a prototyping and tools engineer. We're a small dedicated design group focused on applications design for Music, Movies, TV Shows, Podcasts, iTunes, Apple TV, and the related storefronts.

Description

Invent

We're passionate about the media experiences Apple builds and strive to create new and innovative products for our customers. You should be prepared to push against assumptions and help build the tools and prototypes that allow for new designs to emerge.

Design

You should have an understanding of user interface principles, a sensitivity to typography and color, a general awareness of materials / textures, and a practical grasp of physics and animation. Although you may be a died-in-the-wool engineer, you will be living in a tribe of designers and your should speak the language.

Prototype

We build working, interactive prototypes to test, explain, and explore ideas. Our process includes sketching, pixel- perfect mockups, animations, and code. You should be able to explore ideas at many different levels of fidelity, and be interested in making interactive prototypes.

Engineer

We are designing our own workflows and systems to help us better design, specify, and deliver our work to the product engineering teams. We need someone who can do the heavy lifting for some real head-turning internal processes. We use version control, CMS, file sharing, and project management and want to bring a new level of easy of use and presentation to our work internally.

Collaborate

We work with people all over Apple: other UI designers, industrial designers, engineers, marketing, and executives. You should be comfortable working in a studio environment and participating in individual and group critiques.

Required Skills

Programming using the languages of Apple's platforms: Objective C, Swift, C, etc.

Server/Client (database/web/etc) programming

Rapid prototyping experience

Desired Skills

Experience programming for file systems, CMS, and version control systems would be a huge plus.

Sketching / storyboarding of UIs

Designing for touch or mobile interfaces such as iPhone and iPad · Creating interactive prototypes using Flash, Processing, OpenFrameworks, Quartz Composer, or similar tools

Motion graphics, 3D graphics, special effects, or animation

Industry

Consumer Electronics

Employment type

Full-time

Experience

Entry level

Job function

Engineering



Meet Apple

Consumer Electronics · 10001+ employees · Founded 1976 · Public Company

Company

Apple revolutionized personal technology with the introduction of the Macintosh in 1984. Today, Apple leads the world in innovation with iPhone, iPad, the Mac and Apple Watch. Apple's three software platforms — iOS, OS X and watchOS — provide seamless experiences across all Apple devices and empower people with breakthrough services including the App Store, Apple Music, Apple Pay and iCloud. Apple's 100,000 employees are dedicated to making the best products on earth, and to leaving the world better than we found it.

[Read more](#)

Similar Jobs



Apple Pay Software Engineer

Apple
Santa Clara Valley - California -US

Posted 9 days ago



OpenGL Graphics Software Engineer (Experienced)

Samsung Electronics
San Francisco Bay Area

Posted 16 days ago



Apple Pay Software Engineer

Apple
Santa Clara Valley - California -US

Posted 9 days ago



Staff Software Engineer - Graphics

Samsung Electronics
San Francisco Bay Area

Posted 16 days ago



Apple Pay Software Engineer

Apple
Santa Clara Valley - California -US

Posted 9 days ago



iOS Engineer - iTunes U

Apple
Santa Clara Valley - California -US

Posted 23 days ago



App Prototyping Engineer

Apple
Santa Clara Valley - California -US

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OS Prototyping Engineer

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Site Reliability Engineer - Apple Pay

Apple
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GPU Performance Engineer

Apple
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Senior Software Engineer, Renderer
Linden Lab
San Francisco, CA · 7d



Staff Engineer - NSX Dataplane
VMware
Palo Alto - California - US · 9d



High Speed Custom Digital Design For Mixed-Signal IP
Apple
Santa Clara Valley - California -US · 7d



Siri Platform Engineer
Apple
Santa Clara Valley - California -US · 16d



Sr. Applied Research Engineer
Sony Electronics
San Jose, US-CA · 6d



MTS - Core Platform
VMware
Palo Alto - California - US · 7d



Software Engineer Apps
Apple
Santa Clara Valley - California -US · 7d



Siri Software Engineer
Apple
Santa Clara Valley - California -US · 2d



Staff Engineer - Distributed Systems
VMware
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EXHIBIT 25

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Apple Music Production UI Engineer new



Apple

Santa Clara Valley - California -US

Posted 15 hours ago 18 views

Less than 10 applicants. You found a hidden gem!

Apply on company website

Job description

Seeking a first-class front-end developer to help build great Javascript-driven applications for devices, desktop, and web.

Key Qualifications

- Mastery of front-end coding experience with HTML, CSS, and JavaScript (prototype, inheritance, closures, hoisting, etc.).
- Familiarity with server-side technologies and back-end frameworks.
- Familiarity with build and task software (GruntJS and GulpJS).
- Confident with source version control software (SVN and Git).
- Solid understanding of performance, analytics, and accessibility fundamentals.
- Solid and meticulous attention to technical and visual details.
- Strong teamwork, leadership, communication, and time-management skills.
- Comfortable managing many projects in multiple releases.
- Passion for creating great user experiences and interactions.
- Nice-to-haves include familiarity with: unit testing, responsive design, image manipulation (Photoshop, etc.)

Description

Seeking a first-class front-end developer to help build great Javascript-driven applications for device, desktop, and web. Must understand the principles of Javascript frameworks and are comfortable contributing to large codebases. This person will start a project from scratch, or jump into existing code and projects to help make a difference. Aware of 'technical debt' and 'cruft', and have some ideas and understanding on handling them.

Education

BS / BA degree in Computer Science, or equivalent experience.

Industry

Consumer Electronics

Employment type

Full-time

Experience

Not Applicable

Job function

Marketing



Meet Apple

Consumer Electronics · 10001+ employees · Founded 1976 · Public Company

Company

Apple revolutionized personal technology with the introduction of the Macintosh in 1984. Today, Apple leads the world in innovation with iPhone, iPad, the Mac and Apple Watch. Apple's three software platforms — iOS, OS X and watchOS — provide seamless experiences across all Apple devices and empower people with breakthrough services including the App Store, Apple Music, Apple Pay and iCloud. Apple's 100,000 employees are dedicated to making the best products on earth, and to leaving the world better than we found it.



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Apple Marketing Platforms Platform Analytics Analyst

Apple
Santa Clara Valley - California -US

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Video Creative Producer

Apple
Culver City - California -US

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Santa Clara Valley - California -US

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Cupertino

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Apple Music Client EPM

Apple
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Content Design Engineer -Audio/Music Applications

Apple
Santa Clara Valley - California -US

Posted 9 days ago

iTunes Store, UI Engineer

Apple
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	Sr. Program Manager, iTunes Store (Music) Apple Santa Clara Valley - California -US · 13d
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	Speech Software Engineer Apple Santa Clara Valley - California -US · 1d
	iOS Engineer, Apple News Apple Santa Clara Valley - California -US · 15d
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Apple Music Client EPM

Apple

Santa Clara Valley - California -US

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Job description

The Apple Music client team is looking for a Senior Engineering Project Manager to manage both platform specific end-to-end client app feature releases and lower layer library and framework deliverables that span multiple platforms. Solid project management fundamentals, demonstrated competence in effectively managing complex technical interdependencies at the library/framework layer, excellent communication and advocacy skills, and a passion for delivering a superior experience to our customers are key to success in this role.

Key Qualifications

- Minimum 5 years managing client/server software projects
- Demonstrated experience successfully releasing client application software
- Demonstrated experience successfully managing non-UI driven library and framework level development and cross-platform integration
- Strong understanding of software product development lifecycle
- Understanding of client/server data structures/workflows and library/framework integrations
- Excellent communication and advocacy skills, both written and verbal
- Agility to work through ambiguity to derive productive actionable steps towards goals
- Strong prioritization skills
- Creative and a critical thinker

Description

This role requires a technically competent software engineering project manager who can both successfully deliver platform-specific client app releases for Apple Music, and at the same time effectively manage and deliver library/framework integrations across multiple platforms (iOS, OS X, Apple TV, Watch OS, and Android). This is a hands-on role where you will drive all aspects of the app release - requirements finalization, technical integrations, development sprints, testing, and cross-functional interdependencies. As well, you must understand how the libraries and frameworks work, their dependencies, how they support higher level features, and platform specific nuances. Proactive grassroots advocacy is critical since the library/frameworks are not exposed at the UI/feature level. Strong relationship building, clear communication of responsibilities and scope, ability to manage risk, and a willingness to actively live on, test, and give feedback on the latest development build because you want it to be the best are all key success factors for this role.

Education

CS degree or equivalent experience

Additional Requirements

- Familiarity with Client/App development
- Familiarity with web services software development
- Familiarity with Apple TV hardware and software
- Code/Development background is a plus
- Experience developing Databases, CMS's, or file systems a plus
- Background in video/television industry a plus

Industry

Consumer Electronics

Employment type

Full-time

Experience

Not Applicable

Job function

Information Technology,Engineering,Sales

Meet Apple

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Company

Apple revolutionized personal technology with the introduction of the Macintosh in 1984. Today, Apple leads the world in innovation with iPhone, iPad, the Mac and Apple Watch. Apple's three software platforms — iOS, OS X and watchOS — provide seamless experiences across all Apple devices and empower people with breakthrough services including the App Store, Apple Music, Apple Pay and iCloud. Apple's 100,000 employees are dedicated to making the best products on earth, and to leaving the world better than we found it.

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Wireless Systems Engineer

Apple
Santa Clara Valley - California -US

Posted 7 days ago

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Logic Design / RTL Engineer

Apple
Santa Clara Valley - California -US

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Sr. Program Manager, iTunes Store (Music)

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Moravia**

San Francisco Bay Area

Posted 14 days ago

Sr. Scientist, Music Engagement Research (Ticketing, Live Event Streaming, Artist Marketing Platform & more!)

Pandora
Oakland, CA (right off 19th Street BART Station)

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Media Engineering Project Manager

Apple
Santa Clara Valley - California -US

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Engineering Project Manager, Apple Watch (HW EPM)

Apple
Santa Clara Valley - California -US

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iOS Engineer, Apple News

Apple
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Apple
Santa Clara Valley - California -US

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Cupertino · 5d



Business Affairs Manager, Apple Music

Apple

Culver City - California -US · 23d



Music enthusiasts! Onsite - Bay Area - Danish, English UK, Korean, Traditional Chinese (Hong Kong & Taiwan) Russian, French Canadian, Portuguese (Brazil) German, Dutch, Norwegian & Polish

Moravia

San Francisco Bay Area · 14d



Content Design Engineer -Audio/Music Applications

Apple

Santa Clara Valley - California -US · 9d



Sound Designer - Sledgehammer Games

Sledgehammer Games

Foster City, US-CA · 12d



Sr. Scientist, Music Engagement Research (Ticketing, Live Event Streaming, Artist Marketing Platform & more!)

Pandora

Oakland, CA (right off 19th Street BART Station) · 9d



Audio Design Engineer

Nest

Palo Alto, CA · 21d



Audio Production Engineer

Sony Music Entertainment

New York, NY · 25d



Manager, Music Licensing

Netflix

Beverly Hills, California · 9d



Associate Creative Director

Pandora

Oakland · 21d

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EXHIBIT 27



Janina Kutyn

500+ connections

Software Engineer at Apple
San Francisco Bay Area | Computer Software

- Current: Apple
- Previous: Somo Ltd, Finger Food Studios
- Education: Stanford Continuing Studies
- Recommendations: 7 people have recommended Janina
- Websites: Personal Website

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- Contact Janina directly

Summary


I have been developing commercial and enterprise iOS applications since 2011. My career started out in Vancouver, Canada, then took me to London, UK and eventually led me to Silicon Valley.

I enjoy working closely with clients to establish rapport and ensure their expectations are met, as well as collaborating with graphic designers, project managers and other key team members, to create high quality, user friendly, visually appealing products.

Specialties: Objective-C, UI development, UX, back-end integration, CMS integration

Experience

Software Engineer

Apple 
August 2014 – Present (1 year 8 months) | San Francisco Bay Area

- Implemented Apple Music UI alongside a team of six other engineers
- Maintained and improved iOS media apps, components and frameworks
- Familiarized myself quickly with the vast codebase during the onboarding process
- Worked closely with the back-end team to integrate the database layer and frameworks
- Demoed newly-completed features to senior management and incorporated feedback
- Coordinated with QA during feature testing, debugging and sign off
- Fostered mutually-beneficial relationships and open communication with other iOS teams

iOS Developer

Somo Ltd 
March 2013 – July 2014 (1 year 5 months) | London, United Kingdom

- Lead development of commercial and enterprise iOS apps for numerous clients
- Reported directly to the CPO on the development of a suite of internal tools
- Worked alongside clients and product managers to provide technical knowledge in pitches, meetings and events

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Vice President and Chief Strategy Officer at The Mathews Group Strategic Communications



Parminder Jeet Kaur
Software Development Engineer in Test at Colligo



Maira Benjamin
Director of Engineering at Pandora



Tasneem Minadakis
Engineering Leader @ Yelp



Helen Whattler
User Experience Designer at President

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Program Manager at Microsoft



Lori Hill



Kseniya Volkova
Senior iOS Developer at Hydric Media, Brisbane



Zoe Madden-Wood
Software Engineer



Amber Tanaka
I like to use my ninja tech skills for good

- Coordinated with project managers to provide time estimates, make recommendations on frameworks and technologies and establish technical specifications
- Closely communicated with UX and design during implementation
- Mentored and onboarded junior engineers

Software Developer

Finger Food Studios

November 2011 – March 2013 (1 year 5 months) | Vancouver, Canada Area



- Developed commercial iOS apps for several prominent clients
- Liaised directly with clients to ensure all customer expectations were met
- Took responsibility for the visual completeness of the apps, ensuring a high level of usability and polish
- Worked with designers to define product look and behavior, and filled in gaps when design was not fully specified

Skills

Objective-C | Mobile Applications | iOS | C | Agile Methodologies | Subversion
 Git | iOS Development | Scrum | OOP | User Interface | Software Development

There's more to see...

[View Janina's Full Profile](#)

Education

Stanford Continuing Studies

2015 – 2015

BUS 139 - Data-Driven Marketing

The University of British Columbia

Bachelor, Applied Science - Computer Engineering

2007 – 2011

Activities and Societies: UBC Peer Programs Executive Committee Member, UBC E-Team

Languages

English

Russian

Basic French

Recommendations

A preview of what LinkedIn members have to say about Janina:

“ Janina was a joy to work with. She brought a dedicated work ethic and great expertise in iOS of course, but she also brought a lot of personality and character...
[See more](#)

“ Janina’s big ambitions match her natural talent and she was a fantastic asset to my team. She is comfortable dealing with the ambiguity that comes from agile product...
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EXHIBIT 28



Cherif YAYA

360 connections

Software Engineer at Apple
San Francisco Bay Area | Computer Software

Current	Apple
Previous	Amadeus, Apple Inc., MolitorConsult
Education	Université de Technologie de Compiègne
Recommendations	3 people have recommended Cherif
Websites	Personal Website

Find a different Cherif YAYA

First Name Last Name

Example: Cherif YAYA



Cherif yaya
Student at DCCC
United States

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Leslie Chew
Producer at Apple University



Agbota Alberic
Associate Product Consultant chez
Moody's Analytics



Cormac Daly
Manager, iOS Build Engineering at
Apple



Ritesh Bhatia
iOS Build Engineer at Apple



Antonio Faldetta



Benjamin Surma
Software Engineer at Apple



Saadia KAFFO
Product Manager in SF Bay Area



Adam Kriegel
Audio Software Engineer at Apple



Ulrich ZOCLI
Software Engineer

Join LinkedIn and access Cherif's full profile. It's free!

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- Contact **Cherif** directly

Summary

Software Engineer. Dynamic, quick learner and motivated. Always interested in new challenges.

Experience

iOS Build Engineer

Apple
November 2013 – Present (2 years 5 months) | San Francisco Bay Area



Software Engineer Consultant

Amadeus
October 2009 – November 2013 (4 years 2 months)



User Interface Engineer at Amadeus, in Nice, France. Been working on e-Travel Management, Amadeus' leading web application for managing business trips in large corporations.

Software Developer Intern

Apple Inc.
February 2009 – September 2009 (8 months)

Localization automation software engineer intern at Apple Inc, in Cupertino, USA. Worked on some internal web applications powered by SproutCore, the Javascript framework used for Apple's MobileMe web applications.

Webmaster

MolitorConsult

July 2008 – December 2008 (6 months)

Comprehensive web development, Graphic design, Web site traffic growth

Student Developer

Google

May 2008 – August 2008 (4 months)

Google Summer of Code Participant, Worked with the Linux Foundation on a CUPS implementation of the Open Printing API

Software Engineer Intern

Logica

2007 – 2008 (1 year)

Student Developer

Google

May 2007 – September 2007 (5 months)

From May to September 2007, I participated in Google Summer Of Code challenge. I worked on the open source XML based eXist database system. I was responsible for developing an XQJ driver for eXist databses. I successfully completed that project.

Languages

English

Native or bilingual proficiency

French

Native or bilingual proficiency

Projects

Hubstars ▶

Starting December 2012

Have many Github Stars and it's getting difficult to make sense of it all? Hubstars will help you manage them.

Team members: Cherif YAYA

Nightspender iPhone app ▶

August 2012 – October 2012

Nightspender is a social nightlife app for finding events, clubs and connecting with your friends.

Team members: Cherif YAYA, Rayan Amaout, Ulrich ZOCLI

Tubemix ▶

Starting January 2013

Tubemix is a web app that allows users to search and browse popular music videos from YouTube and create playlists. It features world wide music charts for more than 30 countries updated daily so that users do not miss the latest hits.

Team members: Cherif YAYA, Saadia KAFFO

Skills

- Objective-C
- iOS development
- JavaScript
- HTML 5
- Node.js
- MongoDB
- Redis
- Web Applications
- OOP
- Python
- Git
- XMPP
- Distributed Systems
- Linux
- Open Source
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Education

Université de Technologie de Compiègne
 Bachelor of Sciences, Computer Science Engineering
 2004 – 2009

University of Pennsylvania
 BS, Computer Engineering
 2006 – 2007

Interests

- Ray Tracing
- Photography
- Karate
- Basket Ball
- Natural Language Processing
- Computer Virtualization
- Computer Programming

Volunteer Experience & Causes

Causes Cherif cares about:
 Economic Empowerment
 Education
 Science and Technology

Recommendations

A preview of what LinkedIn members have to say about Cherif:

“ It has been an absolute pleasure to work with Cherif. He's a true team player, easily approachable and never hesitates to go an extra mile to help out others. He works...
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“ I couldn't be happier of working with Cherif. His Unix and software development skills are excellent, his enthusiasm and drive really inspiring. Always available...
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EXHIBIT 29



Julian Ross

500+ connections

Software Engineer at Apple
San Francisco Bay Area | Computer Software

Current	Apple
Previous	Apple Inc., Apple, Goldman Sachs
Education	Hampton University
Recommendations	1 person has recommended Julian
Websites	Portfolio

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Experience

Software Puppeteer

Apple 
July 2012 – Present (3 years 9 months)

R&D - (iOS)
iOS development, design, and project management.

ITDP Engineer

Apple Inc. 
March 2010 – July 2012 (2 years 5 months)

Retail Engineering Mobile - (iOS)
Emerging Technology - (iOS)
User Experience - (Mac / iOS UI Design and Development)
Mobile R&D - (iOS)

IS&T Intern

Apple
June 2009 – August 2009 (3 months)

Web Applications

Technology Intern

Goldman Sachs
June 2008 – August 2008 (3 months)

Business Information Risk

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First Name Last Name 

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Julian Ross
CEO at OxySure Systems, Inc.
United States



Julian Ross
Revenue Management Analyst at Orbitz Worldwide
United States



Julian Ross
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United States



Julian Ross
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Software Development Engineer at Amazon



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Software Development Engineer at Microsoft



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iOS Software Engineer at Apple



Ashley Nelson-Hornstein
iOS Engineer at Dropbox

Lia Napolitano
Designer & Product Advisor

Philana Benton
Software Development Engineer at Microsoft

Justin Washington
QA Engineer at Snapchat, Inc.

Kamara Benjamin
Software Development Engineer II at
Microsoft

Languages

English

Native or bilingual proficiency

Projects

Where Are They Now? (Parody) ▶

Starting December 2012

Fun times finding out what the Power Rangers are doing now

Team members: Julian Ross, Keah Moffett

Skills

- iOS development | Software Development | User Experience | Mobile Applications
- iOS | Web Applications | Mobile Devices | Objective-C | Strategy
- iOS Development | JavaScript | User Interface Design | Software Engineering
- iPhone | Social Media

Education

Hampton University

BS, Computer Science

2005 – 2009

Activities and Societies: ACM President, Robotics, STARS Alliance - Facilitator

Interests

- App development | Technology | Music | Basketball | Gaming | Football

Recommendations

A preview of what LinkedIn members have to say about Julian:

“ Julian skillfully balances his knack for the details with a comprehensive grasp of the big picture. Highly creative and a skilled strategic planner, Julian is exceptionally...

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