

Employee Savings Plan

The Company has an employee savings plan (the "Savings Plan") that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the Savings Plan, participating U.S. employees may defer a portion of their pretax earnings, up to the Internal Revenue Service annual contribution limit (\$9,240 for calendar year 1995). Effective October 1, 1995, 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 earnings. Prior to October 1, 1995, the Company matched 30% to 70% of each employee's contributions, depending on length of service, up to a maximum 6% of the employee's earnings. The Company's matching contributions to the Savings Plan were approximately \$14.6 million, \$10.7 million, and \$11.1 million in 1995, 1994, and 1993, respectively.

Preferred Stock

Five million shares of preferred stock have been authorized for issuance in one or more series. The Board of Directors is authorized to fix the number and designation of any such series and to determine the rights, preferences, privileges, and restrictions granted to or imposed on any such series.

Commitments and Contingencies

Lease Commitments

The Company leases various facilities and equipment under noncancelable operating lease arrangements. The major facilities leases are for terms of 5 to 10 years and generally provide renewal options for terms of up to 5 additional years. Rent expense under all operating leases was approximately \$127 million, \$122 million, and \$170 million in 1995, 1994, and 1993, respectively. Future minimum lease payments under these noncancelable operating leases having remaining terms in excess of one year as of September 29, 1995, are as follows:

(In millions)

1996	\$	71
1997		62
1998		38
1999		21
2000		17
Later years		36
Total minimum lease payments	\$	245
Litigation		

Apple v. Microsoft Corporation and Hewlett-Packard Company In March 1988, the Company filed suit in the U.S. District Court for the Northern District of California (the "Court") against Microsoft Corporation ("Microsoft") and Hewlett-Packard Company ("HP") alleging that their Microsoft Windows and HP NewWave computer programs infringe the Company's audiovisual copyrights protecting the Macintosh user interface. On August 24, 1993, the district court entered final judgment for Microsoft and HP, dismissing the Company's action.

On September 21, 1993, the Court denied defendants' motions for an award of full defense costs and attorneys' fees under 17 U.S.C. Section 505, but allowed defendants to renew their motions should the Supreme Court alter the standard for the award of attorneys' fees in copyright cases in the case of *Fogerty v. Fantasy, Inc.*, 114 S. Ct. 1023 (1994).

On September 20, 1993, the Company appealed the case to the U.S. Court of Appeals for the Ninth Circuit. On September 24, 1994, the Court of Appeals issued its decision affirming the district court judgment on the merits but remanding the case on the issue of attorneys' fees in light of the Fogerty decision. The Company filed a petition for a writ of certiorari in the Supreme Court of the United States on December 19, 1994.

The Company's petition for a writ of certiorari was denied by the Supreme Court of the United States on February 21, 1995. Accordingly, the decision of the appellate court affirming the dismissal of the Company's copyright infringement case against Microsoft and HP is now final. The requests of Microsoft and HP for attorneys' fees have been resolved by settlement agreements. Accordingly, the matter has been entirely resolved.