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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

*File via fax*

MARTIN VOGEL and KENNETH  
MAHONEY, on Behalf of Themselves and All  
Others Similarly Situated,

CASE NO.

CLASS ACTION

Plaintiffs,

COMPLAINT FOR VIOLATION OF  
FEDERAL SECURITIES LAWS

v.

JURY TRIAL DEMANDED

STEVEN P. JOBS, PETER OPPENHEIMER,  
FRED ANDERSON, WILLIAM V.  
CAMPBELL, MILLARD S. DREXLER,  
ALBERT GORE, JR., ARTHUR D.  
LEVINSON, JEROME P. YORK and APPLE  
COMPUTER, INC.,

Defendants.

1 Plaintiffs, by and through their attorneys, bring this Complaint and allege on personal  
2 knowledge as to themselves and their own activities, and on information and belief as to all other  
3 matters, based on investigation and discovery conducted by counsel, including but not limited to: (a)  
4 review and analysis of public filings made by Apple Computer, Inc. ("Apple" or the "Company"),  
5 with the Securities and Exchange Commission (the "SEC"); (b) review and analysis of press  
6 releases and other publications disseminated by defendants; and (c) other publicly available  
7 information about Apple.

### 8 NATURE AND SUMMARY OF THE ACTION

9 1. This is a class action complaint brought on behalf of purchasers of Apple securities  
10 and/or who sold put options on Apple shares (the "Class"), between December 1, 2005 and August  
11 11, 2006, inclusive (the "Class Period") against Apple and the Individual Defendants, as described  
12 *infra*, who were members of the Company's Board of Directors (the "Board") and/or executive  
13 officers of the Apple and signed its Form 10-K for its fiscal 2005 year ended September 24, 2005  
14 (the "2005 Form 10-K"), and/or authorized the issuance of its Proxy Statement on or about March  
15 13, 2006, for the Company's annual meeting held on April 27, 2006 (the "2006 Proxy Statement").

16 2. Stock options give employees of a publically traded company the right to purchase  
17 company stock at a fixed price in the future. The general policy behind a grant of stock options is to  
18 link employees' compensation to the value of the company's shares and, therefore, to the wealth of  
19 the company's shareholders. Typically, the options' fixed price is aligned with the price of the stock  
20 on the day of the grant. If the stock price rises from the fixed grant price the employee profits by  
21 exercising the options and selling the shares. In contrast, backdated stock options allow the  
22 employees of a publically traded company, such as Apple, to maximize their wealth at the expense  
23 of the company and its shareholders.

24 3. As further alleged below, defendants improperly backdated (and/or had knowledge  
25 and approved of, or acquiesced in, such backdating) stock option grants to certain senior Apple  
26 executives so that the options appeared to granted on dates when the market price of Apple stock  
27 was lower than the market price on the actual grant date, and then concealed this practice from the  
28 investing public during the Class Period. This improper backdating resulted in option grants with

1 lower exercise prices which improperly increased the value of the options to the recipients and  
2 improperly reduced the amounts the recipients of these option had to pay the Company upon  
3 exercise of the options, unfairly transferring shareholder equity to defendants while diluting the  
4 value of the shares owned by the Class. Defendants' conduct also violated the Company's: (i)  
5 shareholder-approved stock option plans; (ii) corporate governance guidelines; (iii) standards of  
6 business conduct; and (iv) conflicts of interest policy.

7 4. Moreover, during the Class Period defendants caused Apple to file materially false  
8 and misleading statements with the SEC, including but not limited to Apple's 2005 Form 10-K and  
9 its 2006 Proxy Statement, which stated that options issued to employees and/or executives of the  
10 Company were granted at the fair market value as of the date of grant. In reality, because of  
11 defendants' scheme of backdating options, recipients received stock options priced lower than the  
12 "fair market value" of the stock on actual date of the grant.

13 5. In fact, defendants were aware that the practices employed by the Board frequently  
14 allowed the stock option grants to be backdated to a price when the Company's shares were at the  
15 near low trading price of the relevant period. Indeed, as of 2001, defendants' backdating scheme  
16 had yielded stock option grants to the Company's executive officers worth millions of dollars.

17 6. On June 29, 2006, Apple announced that an internal investigation discovered  
18 irregularities related to stock option grants from 1997 to 2001, including a problematic grant to CEO  
19 Steven P. Jobs ("Jobs"). This particular problematic grant was later cancelled.

20 7. On August 4, 2006, Apple shares declined 4.02%, from a close of \$67.81 on August  
21 3 to close at \$64.96 on August 4, on news that Apple would "likely need" to restate earnings and  
22 would delay filing its quarterly report because of additional irregularities related to its accounting  
23 for stock options granted to its executives and that its financial results issued since September 29,  
24 2002 could not be relied upon.

25 8. On August 11, 2006, Apple announced that its mishandling of its employee stock  
26 options would require "significant" revisions to its most recent quarterly (ending July 1, 006) results  
27 compared to the previous June 25, 2005. On this news the Company's shares continued to drop to  
28

1 close at \$63.65 on August 11, 2006. The drop on August 11, 2006, was a 6.1% drop from the price  
2 Apple stock closed at on August 3, 2006.

### 3 JURISDICTION AND VENUE

4 9. Jurisdiction is conferred by Section 27 of the Securities Exchange Act of 1934 (the  
5 "Exchange Act") [15 U.S.C. § 78aa] and 28 U.S.C. §§ 1331, 1337. The claims asserted herein arise  
6 under and pursuant to Sections 10(b), 14(a) and 20(a) of the Exchange Act [15 U.S.C. §§ 78n(a),  
7 78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder by the Securities and Exchange  
8 Commission ("SEC"), 17 C.F.R. § 240.10b-5.

9 10. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15  
10 U.S.C. § 78aa and 28 U.S.C. § 1391(b) and (c). Venue is proper in this District because the  
11 Company has its headquarters in this district and many of the acts and practices complained of  
12 herein occurred in substantial part in this District.

13 11. In connection with the acts, transactions and conduct alleged herein, defendants used  
14 the means and instrumentalities of interstate commerce, including the United States mails, interstate  
15 telephone communications and the facilities of the national securities exchanges and markets.

### 16 PARTIES

17 12. Plaintiff Martin Vogel purchased shares of Apple and engaged in transactions of  
18 Apple securities during the Class Period, as set forth in the certification attached hereto, and  
19 suffered damages thereby.

20 13. Plaintiff Kenneth Mahoney purchased shares of Apple and engaged in transactions of  
21 Apple securities during the Class Period, as set forth in the certification attached hereto, and  
22 suffered damages thereby.

23 14. Defendant Jobs has served as the Company's Chief Executive Officer ("CEO") and a  
24 director since 2000. He also served as interim CEO from 1997 until 2000.

25 a. In light of defendant Jobs' positions, access to internal corporate documents,  
26 conversations and connections with other corporate officers and employees, attendance at  
27 management and Board meetings and committees thereof, and via reports and other information  
28 provided to him in connection therewith, he knew or should have known that Apple executives,

1 including himself and certain other defendants named herein, were receiving improperly backdated  
2 stock option grants which maximized their personal profits at the expense of Apple shareholders,  
3 and that the defendants concealed this practice in public filings during the Class Period.

4           b.       Moreover, Jobs received at least 20,000,000 options which were suspiciously  
5 dated at or very close to the lowest stock price for the month of the purported grant date and/or  
6 immediately before significant share price increases. On information and belief, plaintiffs allege  
7 that defendants backdated these stock options so that defendants Jobs would receive illegal  
8 compensation from Apple that was not disclosed to the Company's shareholders.

9           c.       In addition, on or about March 19, 2006, defendant Jobs sold 4,573,553  
10 shares of his personally held Apple stock for proceeds of \$295,725,936.68. At the time of this sale  
11 defendant Jobs was in possession of material, non-public information concerning the illegally  
12 undisclosed backdating stock option grant practices.

13           d.       Defendant Jobs signed the 2005 Form 10-K filed with the SEC on December  
14 1, 2001, attached his Certification (as defined *infra*) attesting to its accuracy, and solicited  
15 shareholders through the 2006 Proxy Statement.

16           15.       Defendant Peter Oppenheimer ("Oppenheimer") is Apple's Senior Vice President  
17 and Chief Financial Officer ("CFO"). Oppenheimer was Apple's Controller for the Americas in  
18 1996. In 1997 defendant Oppenheimer was promoted to Vice President and Worldwide Sales  
19 Controller and then to Corporate Controller.

20           a.       In light of defendant Oppenheimer's positions, access to internal corporate  
21 documents, conversations and connections with other corporate officers and employees, attendance  
22 at management meetings and committees thereof, and via reports and other information provided to  
23 him in connection therewith, he knew or should have known that Apple executives, including  
24 himself and certain other defendants named herein, were receiving improperly backdated stock  
25 option grants which maximized their personal profits at the expense of Apple shareholders, and that  
26 the defendants concealed this practice in public filings during the Class Period.

1           b.       Moreover, during the Class Period, while in possession of material, non-  
2 public information concerning the undisclosed backdating stock option grant practices, defendant  
3 Oppenheimer sold 407,500 of his personally held shares for \$29,871,125 in proceeds. Specifically:

4           i.       On January 3, 2006, Oppenheimer exercised his option to buy  
5 200,000 Apple shares for a reduced price of \$2,762,500 and, on that same day, sold said 200,000  
6 Apple shares at the artificially inflated market price(s) for proceeds of \$14,535,000;

7           ii.      On January 4, 2006, Oppenheimer exercised his option to buy:

8           (1)      70,210 Apple shares for a reduced price of \$969,775 and, on that  
9 same day, sold said 70,210 Apple shares at the artificially inflated  
10 market price(s) for proceeds of \$5,284,000;

11          (2)      47,690 Apple shares for a reduced price of \$658,718 and, on that  
12 same day, sold said 47,690 Apple shares at the artificially inflated  
13 market price(s) for proceeds of \$3,577,000;

14          (3)      25,700 Apple shares for a reduced price of \$354,981 and on that same  
15 day sold said 25,700 Apple shares at the artificially inflated market  
16 price(s) for proceeds of \$1,921,000;

17          (4)      38,900 Apple shares for a reduced price for proceeds of approximately  
18 \$466,800 and on that same day sold said 38,900 Apple shares at the  
19 artificially inflated market price(s) for proceeds of \$2,922,000;

20          iii.     On or about February 14, 2006, Oppenheimer sold 25,000 shares of  
21 Apple for proceeds of \$1,632,125.

22          c.       Defendant Oppenheimer signed the 2005 Form 10-K and attached his  
23 Certification (as defined *infra*) attesting to its accuracy .

24          16.      Defendant Fred D. Anderson (“Anderson”) is a director of Apple and has been since  
25 2004. Anderson was Apple’s Executive Vice President and CFO from April 1996 to June 2004.

26          a.       In light of defendant Anderson’s positions, access to internal corporate  
27 documents, conversations and connections with other corporate officers and employees, attendance  
28 at management meetings and committees thereof, and via reports and other information provided to

1 him in connection therewith, he knew or should have known that Apple executives, including  
2 himself and other defendants named herein, were receiving improperly backdated stock option  
3 grants which maximized their personal profits at the expense of Apple shareholders, and that the  
4 defendants concealed this practice in public filings during the Class Period.

5           b.       On October 24, 2005, just prior to the Class Period herein, while in  
6 possession of material, non-public information concerning the undisclosed backdating stock option  
7 grant practices, defendant Anderson exercised an option to purchase 20,000 shares of Apple stock  
8 for the sum of \$298,100 and, on the same day sold, said 20,000 shares of Apple stock for proceeds  
9 of \$1,126,928.

10           c.       Defendant Anderson Defendant signed the 2005 Form 10-K and solicited  
11 shareholders through the 2006 Proxy Statement.

12       17.       Defendant Arthur D. Levinson ("Levinson") is a director of Apple and has been since  
13 2000. During the Fiscal Year 2005, which ran from September 25, 2004 to September 24, 2005,  
14 and during the Fiscal Year 2006, which runs from September 25, 2005 to September 24, 2006,  
15 defendant Levinson was and is a member of both the Audit Committee and the Corporate  
16 Governance Committee of the Company.

17           a.       In light of defendant Levinson's position as a director and member of said  
18 committees, access to internal corporate documents, conversations and connections with other  
19 corporate officers and employees, attendance at Board meetings and committees thereof, and via  
20 reports and other information provided to him in connection therewith, he knew or should have  
21 known that Apple executives, including defendants named herein, were receiving improperly  
22 backdated stock option grants which maximized their personal profits at the expense of Apple  
23 shareholders, and that the defendants concealed this practice in public filings during the Class  
24 Period.

25           b.       During the Class Period, while in possession of material, non-public  
26 information concerning the undisclosed backdating stock option grant practices, defendant Levinson  
27 sold 7,385 shares of Apple and 70,000 shares of Apple for \$4,855,883.60 in proceeds.  
28

1 c. Defendant Levinson signed the 2005 Form 10-K and solicited shareholders  
2 through the 2006 Proxy Statement.

3 18. Defendant Jerome B. York ("York") is a director of Apple and has been since 1997.

4 a. In light of defendant York's position as a director, access to internal corporate  
5 documents, conversations and connections with other corporate officers and employees, attendance  
6 at Board meetings and committees thereof, and via reports and other information provided to him in  
7 connection therewith, he knew or should have known that Apple executives, including defendants  
8 named herein, were receiving improperly backdated stock option grants which maximized their  
9 personal profits at the expense of Apple shareholders, and that the defendants concealed this  
10 practice in public filings during the Class Period.

11 b. During times relevant herein, while in possession of material, non-public  
12 information concerning the undisclosed backdating stock option grant practices, defendant York  
13 sold 90,000 of Apple shares for \$4,282,429.82 in proceeds.

14 c. Defendant York signed the 2005 Form 10-K and solicited shareholders  
15 through the 2006 Proxy Statement

16 19. Defendant Albert A. Gore, Jr. ("Gore") is a director of Apple and has been since  
17 2003. During the Fiscal Year 2005, which ran from September 25, 2004 to September 24, 2005,  
18 and during the Fiscal Year 2006, which runs from September 25, 2005 to September 24, 2006,  
19 defendant Gore was a member of both the Compensation Committee and the Corporate Governance  
20 Committee of the Company.

21 a. In light of defendant Gore's position as a director and member of said  
22 committees, access to internal corporate documents, conversations and connections with other  
23 corporate officers and employees, attendance at Board meetings and committees thereof, and via  
24 reports and other information provided to him in connection therewith, he knew or should have  
25 known that Apple executives, including defendants named herein, were receiving improperly  
26 backdated stock option grants which maximized their personal profits at the expense of Apple  
27 shareholders, and that the defendants concealed this practice in public filings during the Class  
28 Period.

1           b.       Defendant Gore signed the 2005 Form 10-K and solicited shareholders  
2 through the 2006 Proxy Statement.

3           20.       Defendant William V. Campbell ("Campbell") is a director of Apple and has been  
4 since 1997. During the Fiscal Year 2005, which ran from September 25, 2004 to September 24,  
5 2005, and during the Fiscal Year 2006, which runs from September 25, 2005 to September 24,  
6 2006, defendant Campbell was a member of both the Compensation Committee and the Audit  
7 Committee of the Company.

8           a.       In light of defendant Campbell's position as a director and member of said  
9 committees, access to internal corporate documents, conversations and connections with other  
10 corporate officers and employees, attendance at Board meetings and committees thereof, and via  
11 reports and other information provided to him in connection therewith, he knew or should have  
12 known that Apple executives, including defendants named herein, were receiving improperly  
13 backdated stock option grants which maximized their personal profits at the expense of Apple  
14 shareholders, and that the defendants concealed this practice in public filings during the Class  
15 Period.

16           b.       Defendant Campbell signed the 2005 Form 10-K and solicited shareholders  
17 through the 2006 Proxy Statement.

18           21.       Defendant Millard S. Drexler ("Drexler") is a director of Apple and has been since  
19 1999. During the Fiscal Year 2005, which ran from September 25, 2004 to September 24, 2005,  
20 and during the Fiscal Year 2006, which runs from September 25, 2005 to September 24, 2006,  
21 defendant Drexler was a member of both the Compensation Committee and the Corporate  
22 Governance Committee of the Company.

23           a.       In light of defendant Drexler's position as a director and member of said  
24 committees, access to internal corporate documents, conversations and connections with other  
25 corporate officers and employees, attendance at Board meetings and committees thereof, and via  
26 reports and other information provided to him in connection therewith, he knew or should have  
27 known that Apple executives, including defendants named herein, were receiving improperly  
28 backdated stock option grants which maximized their personal profits at the expense of Apple



1 records maintained by Apple or its transfer agent and brokerage firms and may be notified of the  
2 pendency of this action by mail, using the form of notice similar to that customarily used in  
3 securities class actions.

4 28. Plaintiffs' claims are typical of the claims of the members of the Class as all  
5 members of the Class are similarly affected by defendants' wrongful conduct in violation of federal  
6 law that is complained of herein.

7 29. Plaintiffs will fairly and adequately protect the interests of the members of the Class  
8 and has retained counsel competent and experienced in class and securities litigation.

9 30. Common questions of law and fact exist as to all members of the Class and  
10 predominate over any questions solely affecting individual members of the Class. Among the  
11 questions of law and fact common to the Class are:

12 a. whether the federal securities laws were violated by defendants' acts as  
13 alleged herein;

14 b. whether statements made by defendants to the investing public during the  
15 Class Period misrepresented material facts about (i) how the Company awarded options to its  
16 executives, and (ii) whether the Company's financial 2005 Form 10-K, certain interim financial  
17 reports, including its Form 10-Q's filed with the SEC during the Class Period, Apple's press  
18 releases, and the 2006 Proxy Statement, contained false and misleading statements; and

19 c. to what extent the members of the Class have sustained damages and the  
20 proper measure of damages.

21 31. A class action is superior to all other available methods for the fair and efficient  
22 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the  
23 damages suffered by individual Class members may be relatively small, the expense and burden of  
24 individual litigation make it impossible for members of the Class to individually redress the wrongs  
25 done to them. There will be no difficulty in the management of this action as a class action.



1           36. Pursuant to Accounting Principles Board (“APB”) Opinion No. 25 (“APB 25”),  
2 “Accounting for Stock Issued to Employees,” the applicable Generally Accepted Accounting  
3 Principles (“GAAP”) provision at the time of the foregoing stock option grants, if the market price  
4 on the date of grant exceeds the exercise price of the options, the company must recognize the  
5 difference as an expense, thereby reducing the Company’s net income. Defendants’ backdating  
6 practice resulted in understated expenses on each Form 10-K because the difference between the  
7 market price and option exercise price was not expensed by the Company.

8           37. As a result of the improper backdating of stock options, the Company, with the  
9 knowledge, approval, and participation of each of the defendants, violated GAAP, as acknowledged  
10 by defendants in their press release dated August 11, 2006 and outlined *supra*.

11           38. Moreover, during the Class Period, defendants repeatedly disseminated materially  
12 false and misleading press releases regarding the Company’s financials. For example, on October  
13 11, 2005, Apple issued a press release reporting its revenue and net profit for the fiscal year ended  
14 September 24, 2005 and the fourth quarter then ended. The release stated in part, “...for fiscal  
15 2005, the Company generated revenue of \$13.93 billion and a net profit of \$ 1.335 billion, reflecting  
16 an annual growth of 68% and 384 % respectively, and representing the highest annual revenue and  
17 net profit in the Company’s history.”

18           39. The 2005 Form 10-K, filed with the SEC on December 1, 2005, and  
19 contemporaneously distributed to the public, including Apple’s shareholders, repeated these  
20 materially false and misleading statements regarding the Company’s financial information. In  
21 particular, the revenue and net profit figures disseminated in the October 11, 2005 press release  
22 were repeated in the audited financial statements contained in 2005 Form 10-K report and also  
23 contained comparative financial statements for the fiscal years ended 2005 and 2004. Indeed, the  
24 2005 Form 10-K professes to be prepared in conformity with GAAP. Specifically, in Footnote 1-  
25 Summary of Significant Accounting Policies to the comparative financial statements, the defendants  
26 stated:  
27  
28

1           **Stock-Based Compensation**

2           The Company currently measures compensation expense for its employee stock-  
3           based compensation plans using the intrinsic value method prescribed by Accounting  
4           Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*.  
5           The Company applies the disclosure provisions of SFAS No. 123, *Accounting for*  
6           *Stock-based Compensation*, as amended by SFAS No. 148, *Accounting for Stock-*  
7           *based Compensation—Transition and Disclosure* as if the fair-value-based method  
8           had been applied in measuring compensation expense. Under APB Opinion No. 25,  
9           when the exercise price of the Company's employee stock options equals the market  
10           price of the underlying stock on the date of the grant, no compensation expense is  
11           recognized.

12           (Emphasis added).

13           40.     The 2005 Form 10-K Report, for the year ended September 24, 2005, was signed and  
14           dated on November 29, 2005, by defendants Jobs, Oppenheimer, Anderson, Campbell, Drexler,  
15           Gore, Jr., Levinson and York.

16           41.     The 2005 Form 10-K also contains a list of documents including the "Apple  
17           Computer, Inc. 1998 Executive Officer Stock Plan (As Amended Through 6/27/00)" which defines  
18           the exercise price of the options granted and follows:

19           **9. OPTION EXERCISE PRICE AND CONSIDERATION**

20           (a) EXERCISE PRICE. The per share exercise price for the Shares to be issued  
21           pursuant to exercise of an Option shall be determined by the Administrator, subject  
22           to the following:

23           (i) In the case of an Incentive Stock Option;

24           (A) granted to an Employee who, at the time the Incentive Stock  
25           Option is granted, owns stock representing more than ten percent (10%) of the voting  
26           power of all classes of stock of the Company or any Parent or Subsidiary, the per  
27           Share exercise price shall be no less than 110% of the Fair Market Value per Share  
28           on the date of grant; or

          (B) granted to any Employee other than an Employee described in  
          paragraph (A) immediately above, the per Share exercise price shall be no less than  
          100% of the Fair Market Value per Share on the date of grant;

          (ii) In the case of a Nonstatutory Stock Option, the per Share exercise price  
          shall be determined by the Administrator. In the case of a Nonstatutory Stock Option  
          intended to qualify as 'performance-based compensation' within the meaning of  
          Section 162(m) of the Code, the per Share exercise price shall be no less than 100%  
          of the Fair Market Value per Share on the date of grant; (emphasis added)

29           //

30           //

1 (iii) Notwithstanding the foregoing, Options may be granted with a per Share  
2 exercise price of less than 100% of the Fair Market Value per Share on the date of  
3 grant as determined by the Administrator or pursuant to a merger or other corporate  
4 transaction.

5 Similar language appears in the Apple Computer, Inc. 1990 Stock Option Plan (As Amended  
6 Through 11/5/97), as follows:

7 8. Exercise Price and Consideration. (a) Exercise Price. The per Share exercise price  
8 for the Shares issuable pursuant to an Option shall be such price as is determined by  
9 the Administrator, but shall in no event be less than 100% of the Fair Market Value  
10 of Common Stock, determined as of the date of grant of the Option. In the event that  
11 the Administrator shall reduce the exercise price, the exercise price shall be no less  
12 than 100% of the Fair Market Value as of the date of that reduction. In no event shall  
13 the per Share exercise price be less than 110% of the Fair Market Value per Share as  
14 of the date of grant in the case of an Incentive Stock Option granted to an Optionee  
15 who, immediately before the grant of such Option, owns Shares representing more  
16 than 10% of the voting power or value of all classes of stock of the Company or any  
17 Parent or Subsidiary. (b) Method of Payment. The consideration to be paid for the  
18 Shares to be issued upon exercise of an Option, including the method of payment,  
19 shall be determined by the Administrator (and, in the case of an Incentive Stock  
20 Option, shall be determined at the time of grant) and may consist of (i) cash, (ii)  
21 check, (iii) promissory note, (iv) other Shares which have a Fair Market Value on the  
22 date of surrender equal to the aggregate exercise price of the Shares as to which said  
23 Option shall be exercised, (v) delivery of a properly executed exercise notice together  
24 with irrevocable instructions to a broker to promptly deliver to the Company the  
25 amount of sale or loan proceeds required to pay the exercise price, or (vi) any  
26 combination of the foregoing methods of payment and/or any other consideration or  
27 method of payment as shall be permitted under applicable corporate law. (Emphasis  
28 added).

39 42. In addition, defendant Jobs, in his position as Chief Executive Officer, and defendant  
40 Oppenheimer, in his position as Senior Vice President and Chief Financial Officer, submitted  
41 certifications to the SEC, as required pursuant to 18 U.S.C. 1350, as adopted at Section 906 of the  
42 Sarbanes-Oxley Act of 2002 (the "Certification(s)").

43 43. Each Certification stated, among other things: "Based on my knowledge, this  
44 report does not contain any untrue statement of a material fact or omit to state a material fact  
45 necessary to make the statements made, in light of the circumstances under which such statements  
46 were made, not misleading with respect to the period cover by this report."

47 44. The 2005 Form 10-K Report also contained Apple's materially false and misleading  
48 comparative financial statements for the fiscal years ended September 2005 and September 2004,  
49 which were not prepared in accordance with GAAP as a result of defendants' violations of APB 25,

1 as outlined *supra*. As a result of these violations, Apple's net profit and stockholder equity were  
2 overstated and compensation cost attributable to the backdated options was correspondingly  
3 understated. In addition, the 2005 Form 10-K was materially false and misleading because it  
4 concealed and/or omitted defendants' backdating scheme and continued to falsely assert that  
5 employee stock options were and had been issued at fair market value at the date of grant when, as  
6 described herein, they were not.

7 45. On January 18, 2006, Apple announced financial results for its fiscal first quarter  
8 ended December 31, 2005, reporting the highest revenue and earnings in the Company's history.  
9 The Company's Press Release and Form 8-K filing stated: "Apple posted revenue of \$5.75 billion  
10 and net quarterly profit of \$565 million..." The Press Release went on to state:

11 "We're very pleased to report year-over-year revenue growth of 65 percent and net  
12 income that was nearly twice the year-ago level" said Peter Oppenheimer, Apple's  
13 CFO.

14 46. Apple filed its Form 10-Q Report for its first fiscal quarter ended December 31,  
15 2005, with the SEC on February 3, 2006. The Form 10-Q Report contained unaudited financial  
16 statements and reported the same revenues and net income as reported in the press release dated  
17 January 18, 2006. Defendant Jobs and defendant Oppenheimer submitted Certifications attached to  
18 the Form 10-Q Report, which each state, in relevant part:

19 Based on my knowledge, this report does not contain any untrue statement of a  
20 material fact or omit to state a material fact necessary to make the statements made,  
21 in light of the circumstances under which such statements were made, not misleading  
22 with respect to the period covered by this report;

23 Based on my knowledge, the financial statements, and other financial information  
24 included in this report, fairly present in all material respects the financial condition,  
25 results of operations and cash flows of the registrant as of, and for, the periods  
26 presented in this report.

27 47. The Form 10-Q Report for the quarter ended December 31, 2005 contained Apple's  
28 comparative financial statements for the fiscal first quarters of 2006 and 2005, which were  
materially false and misleading and were not prepared in accordance with GAAP, due to the  
improper accounting for the backdated stock option grants. See Exhibits A and B, attached hereto.  
As a result, Apple's net profits and stockholder equity were overstated and compensation cost  
attributable to the backdated options was correspondingly understated.



1           53.     On August 4, 2006, Apple shares declined 4.02%, from a close of \$67.81 on August  
2 3 to close at \$64.96 on August 4, on news that Apple would “likely need” to restate earnings and  
3 would delay filing its quarterly report because of additional irregularities related to its accounting  
4 for stock options granted to its executives and that its financial results issued since September 29,  
5 2002 could not be relied upon.

6           54.     On August 11, 2006, Apple announced that its mishandling of its employee stock  
7 options grants would require “significant” revisions to its most recent quarterly results (for the  
8 quarter ending July 1, 2006) compared to the June 25, 2005 quarter. On this news the Company’s  
9 shares continued to drop to close at \$63.65 on August 11, 2006.

10          55.     As a result of all of the foregoing, plaintiffs and members of the Class have been  
11 damaged.

12                   **APPLICABILITY OF THE FRAUD ON THE MARKET DOCTRINE**

13          56.     At all relevant times, the market for Apple’s common stock was an efficient market  
14 for the following reasons, among others:

15               a.     Apple’s common stock met the requirements for listing, and was listed and  
16 actively traded on the NASDAQ, a highly efficient and automated market;

17               b.     As a regulated issuer, Apple filed periodic public reports with the SEC and  
18 the NASDAQ;

19               c.     Apple regularly communicated with public investors *via* established market  
20 communication mechanisms, including through regular disseminations of press releases on the  
21 national circuits of major newswire services and through other wide-ranging public disclosures,  
22 such as communications with the financial press and other similar reporting services; and

23               d.     Apple was followed by securities analysts, including those who were  
24 employed by major brokerage firms, who wrote reports which were distributed to the sales force and  
25 certain customers of their respective brokerage firms. Each of these reports was publicly available  
26 and entered the public marketplace.

27          57.     As a result of the foregoing, the market for Apple’s shares promptly digested current  
28 information regarding Apple from all publicly available sources and reflected such information in

1 Apple's stock price. Under these circumstances, all purchasers of Apple securities during the Class  
2 Period suffered similar injury through their purchase of Apple's common stock at artificially  
3 inflated prices and a presumption of reliance applies

#### 4 ADDITIONAL SCIENTER ALLEGATIONS

5 58. Certain members of Apple's management, including defendants sold material  
6 amounts of artificially inflated Apple shares, while in the possession of materially adverse inside  
7 knowledge regarding backdating options scheme, as described herein. Many of these shares were  
8 acquired by the exercise of stock options. The insider sales of Apple for Defendants Jobs,  
9 Oppenheimer, Anderson, Levinson and York are set forth in detail, *supra* at paragraphs 14 through  
10 18.

11 59. In addition, members of the Compensation Committee during all or part of the Class  
12 Period, which included Individual Defendants Campbell, Drexler and Gore (previously defined  
13 herein as the "Compensation Committee Directors"), were aware of, or but for their reckless  
14 disregard should have been aware of, the backdating options scheme. The Charter of the  
15 Compensation Committee of Apple states that the purpose of the Compensation Committee is, *inter*  
16 *alia*, to "(i) establish and modify compensation and incentive plans and programs (ii) review and  
17 approve compensation and awards under compensation and incentive plans and programs for  
18 elected officers of the Corporation, and (iii) be the administering committee for certain stock option  
19 and other stock-based plans, as designated by the Board." The Committee is charged with  
20 "Review[ing] periodically and approv[ing] all compensation and incentive plans and programs..."  
21 The Committee is to "Act as administering committee of the Corporation's various bonus plans,  
22 stock plans and equity arrangements that may be adopted by the Corporation from time to time..."  
23 The Charter vests the Committee with such authority and powers as annually reviewing and  
24 approving for the CEO and executive officers of the Company, the annual salary, bonuses, equity  
25 compensation, incentive bonuses and any other benefits, compensation or arrangements. Therefore,  
26 because of their intricate involvement in the formulation and issuance of such options, the  
27 Compensation Committee Directors possessed the requisite scienter.



1 (iii) cause plaintiffs and other members of the Class to buy Apple stock at artificially inflated prices.  
2 In furtherance of this unlawful scheme, plan, and course of conduct, defendants, and each of them,  
3 took the actions set forth herein.

4 62. These defendants: (a) employed devices, schemes and artifices to defraud; (b) made  
5 untrue statements of material fact and/or omitted to state material facts necessary to make the  
6 statements not misleading; and (c) engaged in acts, practices and a course of business which  
7 operated as a fraud and deceit upon the buyers of Apple's publicly traded securities in violation of  
8 Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

9 63. Defendants' material misrepresentations and/or omissions were done knowingly or  
10 recklessly.

11 64. As a result of the defendants' dissemination of deceptive and misleading information  
12 regarding the Apple's practice of backdating options in violation of the Company's own internal  
13 policies and procedures and in contradiction to statement made in the Company's filings with the  
14 SEC. Furthermore, the backdating of options resulted in understating expenses and thus overstating  
15 net income in the Company's financial results contained in Apple's 2005 Form 10-K filed with the  
16 SEC at the beginning of the Class Period. In ignorance of the fact that the market price of Apple's  
17 shares were artificially inflated, and relying upon the integrity of the market in which Apples  
18 common stock trades, and/or on the absence of material information that was known to and/or  
19 recklessly disregarded by defendants but not disclosed in public statements by defendants during the  
20 Class Period, plaintiffs and the other members of the Class bought Apple common stock during the  
21 Class Period at artificially inflated prices and were damaged thereby.

22 65. At the time of said misrepresentations and omissions, plaintiffs and the other  
23 members of the Class were ignorant of the omitted material facts and believed defendants'  
24 statements regarding the awarding of options and their financial statements contained in Apple's  
25 2005 Form 10-K and certain fiscal 2005 and 2006 interim financial reports to be completely  
26 truthful, candid and not deceptive or misleading or suffering from omissions of material facts. Had  
27 plaintiffs and the other members of the Class known of the omitted material facts, plaintiffs and the  
28 other members of the Class would not have bought their Apple common stock during the Class

1 Period, or, if they had bought such stock during the Class Period, they would not have done so at the  
2 artificially inflated prices which they paid for their Apple common stock which they bought during  
3 the Class Period.

4 66. By virtue of the foregoing, each of the defendants violated Section 10(b) of the  
5 Exchange Act and Rule 10b-5 promulgated thereunder.

6 67. As a direct and proximate result of defendants' wrongful conduct, plaintiffs and the  
7 other members of the Class suffered damages in connection with their purchases of Apple common  
8 stock during the Class Period.

9 **COUNT II**

10 **FOR VIOLATION OF SECTION 14(a) OF THE EXCHANGE ACT**

11 **(Against All Defendants Except Defendant Oppenheimer)**

12 68. Plaintiffs incorporate by reference the above paragraphs, except those paragraphs  
13 relating to scienter, as if set forth fully herein.

14 69. Rule 14a-9, promulgated pursuant to Section 14(a) of the Exchange Act provides that  
15 no proxy statement shall contain "any statement which at the time and in light of the circumstances  
16 under which it is made is false and misleading with respect to any material fact, or which omits to  
17 state any material fact necessary in order to make the statements therein not false and misleading."  
18 17 C.F.R. Section 240.14a-9.

19 70. The Proxy Statement for annual shareholders' meeting held in 2006 violated Rule  
20 14(a) and Rule 14a-9 because it omitted material facts, including the fact that defendants were  
21 causing Apple to engage in an option backdating scheme which had occurred since at least 1997.

22 71. In the exercise of reasonable care, defendants should have known that the 2006  
23 Proxy Statement was materially false and misleading.

24 72. The misrepresentations and omissions in the 2006 Proxy Statement were material to  
25 plaintiffs in voting on the Proxy Statement. The 2006 Proxy Statement was an essential link in the  
26 accomplishment and continuation of defendants' unlawful stock option backdating scheme, as  
27 revelations of the truth would have immediately thwarted a continuation of shareholders'  
28

1 endorsement of the directors' position, the executive officers' compensation and the Company's  
2 compensation policies.

3 73. Plaintiffs and the Class were damaged as a result of the material misrepresentations  
4 and omissions in the 2006 Proxy Statement.

5 **COUNT III**

6 **AGAINST THE INDIVIDUAL DEFENDANTS PURSUANT TO**  
7 **SECTION 20(a) OF THE EXCHANGE ACT**

8 74. Plaintiffs repeat and reallege each and every allegation set forth above.

9 75. This claim is asserted against the Individual Defendants pursuant to Section 20(a) of  
10 the Exchange Act, 15 U.S.C. §78t(a).

11 76. During the Class Period, Individual Defendants Jobs, Oppenheimer, Anderson,  
12 Campbell, Drexler, Gore, Levinson and York were "controlling persons" of defendant Apple, within  
13 the meaning of Section 20(a) of the Exchange Act.

14 77. The Individual Defendants were "controlling persons" of Apple because, due to the  
15 officer and/or director positions they held with Apple, they had the influence and power over Apple  
16 to cause, and they did cause, Apple to engage in the wrongful conduct complained of herein, and  
17 because they had the power to have prevented Apple from engaging in the unlawful conduct alleged  
18 herein, but they purposely, intentionally and recklessly did not use that power to do so.

19 78. As set forth above in Count I, Apple violated Section 10(b) of the Exchange Act and  
20 Rule 10b-5 promulgated thereunder by its acts and omissions as alleged in this Complaint. By  
21 virtue of their status as a "controlling person" of Apple, the Individual Defendants are liable, to the  
22 same extent as is Apple for its violations of Section 10(b) of the Exchange Act and Rule 10b-5  
23 promulgated thereunder, pursuant to Section 20(a) of the Exchange Act.

24 79. As set forth in Count II, Apples also violated Section 14(a) of the Exchange Act by  
25 its acts and omissions. By virtue of their status as a "controlling person" of Apple, the Individual  
26 Defendants are liable, to the same extent as is Apple for its violations of Section 14(a) of the  
27 Exchange Act, pursuant to Section 20(a) of the Exchange Act.

28

1 **PRAYER FOR RELIEF**

2 WHEREFORE, plaintiffs, on behalf of themselves and the Class, pray for judgment as  
3 follows:

- 4 1. Declaring this action to be a class action properly maintained pursuant to Rule 23(a)  
5 and (b)(3) of the Federal Rules of Civil Procedure;
- 6 2. Finding that the defendants violated Section 10(b) of the Exchange Act and Rule  
7 10b-5 promulgated thereunder and Sections 20(a) and 14(a) by their acts and  
8 omissions as alleged in this Complaint;
- 9 3. Awarding plaintiffs and the members of the Class damages, together with interest  
10 thereon;
- 11 4. Awarding plaintiffs and other members of the Class their costs and expenses of this  
12 litigation, including reasonable attorneys' fees and experts' fees and other costs and  
13 disbursements; and
- 14 5. Awarding plaintiffs and other members of the Class such other and further relief as  
15 may be just and proper under the circumstances

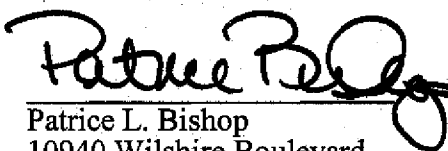
16 **JURY TRIAL DEMANDED**

17 Plaintiffs demand a trial by jury as to all issues so triable.

18  
19 Dated: August 24, 2006

Patrice L. Bishop  
STULL, STULL & BRODY

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22 By:



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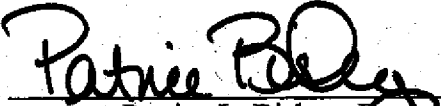
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**Attorneys for Plaintiffs**

**CERTIFICATION OF INTERESTED ENTITIES OR PERSONS  
PURSUANT TO CIVIL L.R. 3-16**

Pursuant to Civil L.R. 3-16, the undersigned certifies that as of this date, other than the named parties, there is no such interest to report.

  
Patrice L. Bishop, Esq.  
STULL, STULL & BRODY  
Attorneys for Plaintiffs

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# EXHIBIT A

Prepared-Excel 97

## APPLE COMPUTER, INC. OPTIONS GRANTED ADJUSTED FOR SPLITS

Optionee	Purported Option Date	Number of Options	Exercise Price	
Fred D. Anderson	7/11/1997	2,000,000	3.3125	Option exchange-Note A
	12/19/1997	1,000,000	3.4219	Option exchange-Note A
	3/2/1999	1,900,000	8.6563	
	1/17/2001	2,000,000	8.4063	
Steven P. Jobs	1/12/2000	40,000,000	21.7969	cancelled 3/2003-Note B
	Oct-01	15,000,000	9.1500	cancelled 3/2003-Note B
Jonathan Rubinstein	7/11/1997	800,000	3.3125	Option exchange-Note A
	12/19/1997	1,200,000	3.3470	Option exchange-Note A
	3/2/1999	1,833,336	8.6563	
	1/17/2001	2,000,000	8.4063	
Timothy Cook	2/2/1998	2,800,000	4.4219	
	3/2/1999	1,200,000	8.6563	
	1/17/2001	2,000,000	8.4063	
Ronald B Johnson	12/14/1999	2,400,000	23.7188	
Avadis Tevanian	1/17/2001	2,000,000	8.4063	
Reflects two 2 for 1 spl - one in June 2000 and one in 2005				
A -Exchange options issued for earlier higher priced options which were cancelled				
B -Jobs voluntarily cancelled outstanding employee options and received 10,000,000 restricted share in 3/03				
Proxy statements reporting grants of options state that exercise price equals the fair market value based on close on the date of the grant (proxy statement dated 3/16/98 price based on close of trading day immediately preceding the date of the grant).				

## EXHIBIT B

APPLE COMPUTER, INC.  
PRICE RANGE  
10 DAYS PRIOR - AFTER

<u>Purported Option Date</u>	<u>Purported Option Price</u>	<u>Price Range 10 Days Prior</u>	<u>Price Range 10 Days After</u>
7/11/97	3.3125	3.27-3.45	3.95-4.38
12/19/97	3.4219	3.23-4.74	3.45-3.89
2/2/98	4.4219	4.58-4.88	4.58-4.91
3/2/99	8.6563	8.44-9.61	8.05-8.88
12/14/99	23.7188	24.47-29.45	24.25-25.88
1/12/00	21.7969	23.19-27.99	24.19-28.38
1/17/01	8.4063	7.44-9.01	9.35-10.88

PLAINTIFF CERTIFICATION

1.) Martin Vogel ("Plaintiff") hereby states, pursuant to Section 101 of the Private Securities Litigation Reform Act of 1995 of the Securities Exchange Act of 1934 that he has reviewed the complaint and has authorized the filing of it on his behalf.

2) Plaintiff did not purchase any common stock or other securities of Apple Computer, Inc. ("Apple") at the direction of his counsel or in order to participate in this private action.

3) Plaintiff is willing to serve as a representative party on behalf of a class, including providing testimony at deposition and trial, if necessary.

4.) Plaintiff has made no transactions during the class period specified in the complaint in the debt or equity securities that are the subject of the action except as follows: Plaintiff purchased 2000 common shares of Apple on February 6, 2006 for \$67.90 per share.

4) Plaintiff has not sought to serve or served as a representative party on behalf of a class under the federal securities laws during the last three years.

5) Plaintiff will not accept any payment for serving as a representative party on behalf of the Class beyond Plaintiff's pro rata share of any recovery, except as ordered or approved by the court pursuant to section 21D(a)(4) of the Securities Exchange Act and including any award for reasonable costs and expenses directly relating to the representation of the class.

6.) The matters stated in this declaration are true to the best of my knowledge, information and belief.

7.) I hereby certify, under penalty of perjury that the foregoing is true and correct.

Executed this 18<sup>th</sup> day of August, 2006.

Witnessed by:

*Mark Vogel*

*Mark Vogel, Attorney at Law NJ*

*Martin Vogel*  
\_\_\_\_\_  
Martin Vogel

## PLAINTIFF CERTIFICATION

KENNETH MAHONEY ("Plaintiff") hereby states, pursuant to Section 101 of the Private Securities Litigation Reform Act of 1995 of the Securities Exchange Act of 1934 that he has reviewed the complaint and has authorized the filing of it on his behalf.

1. Plaintiff did not purchase any common stock or other securities of Apple Computer, Inc. ("Apple") at the direction of his counsel or in order to participate in this private action.

2. Plaintiff is willing to serve as representative party on behalf of a class, including providing testimony at deposition and trial, if necessary.

3. Plaintiff has made no transactions during the class period specified in the complaint in the debt or equity securities that are the subject of the action except as follows: Plaintiff purchased 300 common shares of Apple on May 12, 2006 for \$72.18 per share.

4. Plaintiff has not sought to serve or served as a representative party on behalf of a class under the federal securities laws during the last three years.

5. Plaintiff will not accept any payment for serving as a representative party on behalf of the Class beyond Plaintiff's pro rata share of any recovery, except as ordered or approved by the court pursuant to section 21D(a)(4) of the Securities Exchange Act and including any award for reasonable costs and expenses directly relating to the representation of the class.

6. The matters stated in this declaration are true to the best of my knowledge, information and belief.

7. I hereby certify, under penalty of perjury that the foregoing is true and correct.

Executed this 23<sup>rd</sup> day of August, 2006

  
\_\_\_\_\_  
KENNETH MAHONEY