APPLE INC.

CRISIS COMMITTEE

UTMUN
2018

Dear Delegate,

Well done, you have made it to the top of the corporate ladder. Step into the boardroom, the meeting is just about to begin and there is much to be discussed. Apple Incorporated is a multinational tech company, headquartered in Cupertino, California. Renowned for its hardware products like the Mac, the company is also famous for introducing consumer software like the iOS operating system. Apple's dedication to creating outstanding products, and its pursuit of innovation, have skyrocketed them to number three on the Fortune 500 list - earning an annual revenue of over $200 billion (Fortune 500, 2017).

You, the delegates, now represent both the management and the Board of Directors of Apple. It is up to you to steer the company towards even greater heights; or else risk failing in the face of competition. Helping me bring this committee to you are my wonderful staff. Let me start by introducing our five Crisis Analysts:

Nermeen Zia is a second year Political Science and English student. This is her first time doing anything MUN related. She loves debating with anyone about anything, reading and watching movies in her free time. Jennifer Li is a third year political science and English major with a media minor. She enjoys drawing, movies, and Apple products. Claire Chen is a third year Rotman Commerce student specializing in management with a concentration on international business. She is a big fan of korean music and dramas, and enjoys reading and watching movies during her free time. Jacky Kuang is a first year Rotman Commerce student interested in economics and politics. He loves rock music, cars, and (unfortunately) Microsoft products. And last not but not least, Jacqueline Amoranto is a first year Engineering Science student. Well versed in the art of procrastination, you can often find her enjoying political humour, crafting a YouTube channel or consuming a bowl of fruit.

Our Crisis Analysts will all be working alongside our Crisis Manager, Daven Siu. Daven is currently studying Co-op Management at UTSC. He enjoys travelling and trying new food. Sitting alongside me in the committee room will be Dawood Younis, the Crisis Moderator. Dawood is a third year Rotman Commerce student at U of T in the management stream specializing in Marketing and Strategy. He enjoys cricket, Model UN, and some nice tea. He is currently the Vice President of UNSOC, U of T's travelling Model UN team.

Finally, my name is Jimmy Xie. I am your Crisis Director and a third year Rotman Commerce student specializing in Public Accounting. A lot of work has been put into bringing this committee to you. In this committee, we hope that you will cultivate the leadership and business savvy necessary to become business titans of your own one day.

Best Regards,
Jimmy Xie
jimmy.xie@mail.utoronto.ca

Introduction:

The story of Apple begins on April 1, 1976, when it was founded by Steve Jobs, Steve Wozniak, and Ronald Wayne. The company encountered initial success - with the release of the Apple I in 1976 - which continued to grow following the release of Apple II (1977) and the Macintosh (1984). These successes thrust the company into spotlight - and Apple soon became a direct competitor of IBM, the company which dominated the computer industry at the time.

The success, however, did not last forever. Disputes began to surface in 1985 between Jobs and CEO at the time, John Sculley. With differing views on how the company should be run, and with the Board of Directors against him, Jobs was removed from his position as Head of Technology and was moved to Chairman of the Board. Not wanting a passive position in the company, Jobs resigned from the company in 1985 - the same year Wozniak left the company.

Following Jobs' departure, the company experienced initial growth as many investors approved of the decision. However, as competitor prices began to fall, and a new powerhouse, Microsoft, emerged in the late 1980s, Apple began a steady decline that lasted until 1997. The decline ended with the purchase of NeXT, the company which Jobs had founded after leaving Apple. The purchase brought Jobs back into the company, and upon returning, Jobs was reinstated as CEO. He made radical changes to the company, leading to immense long-term benefits. Under Jobs' leadership, Apple continued to grow to the state it is in today. (Rawlinson, 2017)

The Corporation:

A corporation is a separate legal entity from its owners. In other words, the corporation is privileged to many of the rights and responsibilities of a person. Corporations pay taxes, can borrow and loan money, and are capable of being sued. Perhaps the most significant aspect of the corporation is its limited liability. This means that while the owners of the corporation can receive the profits earned by the business, they themselves are not liable for any debts incurred by the corporation. If the corporation is incapable of paying off its loans, the owners do not have to cover for the loss, as is the case for sole-proprietorships and partnerships. ("Corporation", 2015)

The owners of the corporation are not necessarily those who run and operate the business, though the two are not mutually exclusive. The corporation is essentially broken up into three major stakeholders, or parties who have an interest in the company. These stakeholders are:

-The shareholders: the owners of the company
-The management: the executives who run the daily operations of the corporation

-The Board of Directors: the representatives of the shareholders who monitor the executives

Ultimately, the goal of the corporation is to generate profits for its shareholders. However, in recent times, there has been an increase in priority towards other social causes including philanthropy and the environment. How much that is dedicated to these other causes is up to the discretion of the three major stakeholders. (“Corporation,” 2015)

Corporate Governance:

Corporate governance is essentially the Constitution of the corporation. Within it lies the established rules and practices that dictate how the company is to be operated. The Board of Directors are responsible for reviewing the guidelines and ensuring that the company is being operated according to its guidelines (“Corporate Governance,” 2015). Apple’s corporate governance outlines a number of policies including the role of the directors, it’s anti-corruption policy, and the guidelines for stock ownership (“Leadership and Governance,” n.d.).

Financing:

Every business needs money to run, and a corporation is no different. Money to fund the business mainly comes from two sources: debt and equity. Many are familiar with debt. Companies will borrow money from governments, banks, and other businesses, with the promise of the principal payment and interest. Equity is different from loans in that instead of borrowing the money, the corporation will sell a percentage of its ownership, usually in the form of shares, which for public companies can be traded on the stock exchange (“Financing,” 2015). The change in values of the shares are generally indicative of the prosperity of the company. As a company increases in value, so does the value of its shares. The profit of owning shares comes from regular payments in dividends to the shareholders by the corporation, usually a fixed paid amount per share, or a future increase in value for the shares, when it can be sold for a larger amount of money than when it was bought (Hayes, 2017).

Since owning shares represents owning a percentage of the corporation, the more shares a shareholder owns, the greater control the shareholder has over the company. If a particular shareholder owns more than 50% of the total shares, then they essentially have complete control over the company; in other words, they become a majority shareholder. (“Financing,” 2015)

The Board of Directors:

The Board of Directors act as the representatives of the shareholders. Voted in by the numerous shareholders of Apple for a one year term, the nine Apple Directors hold authority over the company executives, ensuring the direction that the company is moving in aligns with shareholder interests, dictates the salary that each one receives, and determines when and how much dividends are to be paid to the shareholders ("Roles and Responsibilities of Directors and Boards," n.d.). Apple's Board of Directors are split into 3 committees: the Audit Committee, the Nomination Committee, and the Compensation Committee. Each committee has no fewer than three members and generally holds their own meetings throughout the year, functioning similarly to the Board ("Apple (AAPL)," 2010).

The Audit Committee is responsible for monitoring both the external independent auditing firm, and the company's internal auditing department, ensuring that the accounting standards are being met by the company. The Compensation Committee determines the salaries of all the executives, including the CEO. Finally, the Nominating Committee evaluates the performance of the board itself, and identifies potential nominees to be brought up at the Annual General Meetings. The Nomination Committee is also primarily responsible for monitoring the company's implementation of its corporate governance ("Notice of 2010 Annual Meeting of Shareholders," 2010).

Annual General Meetings:

Annual General Meetings (AGMs) are a company's way of communicating their intentions to their shareholders. As the name implies, they are held yearly, and every shareholder is invited to attend. Apple's AGMs are usually held at the end of February. During these meetings, the Board interacts with the shareholders, gives an overview of how the company is currently performing, and introduces numerous proposals that are to be discussed and voted on at the meeting. The new board members are nominated and if any current directors are not performing up to standards, they can also be at risk of being voted off the board. Each share carries voting rights, and as a result, the more shares a shareholder owns, the more voting power they have ("Annual General Meeting - AGM," 2013).

During Apple's 2017 AGM, the following proposals were brought up by shareholders:

- Increased disclosure on the company's standards for choosing the charities that would be receiving the company's charitable givings
- Increased cultural diversity in both senior management and on the Board of Directors
- Include more independent experts or resources to assist the Compensation Committee in determining the compensations for the executives of the company
- Force the executives of the company to retain 75% of their shares received from equity compensation (salary payment through shares). Doing this

would ensure that the executives would focus on the prosperity of the company, since a majority of their shares would be invested in Apple ("Notice of Annual Board Meeting of Shareholders," 2017)

Takeovers:

Takeovers occur when the majority share of a company are bought out, and ownership is transferred over to the purchasing company, along with its assets and debts. Takeovers like these are often agreed upon between both companies, resulting in either an acquisition or a merger. In an acquisition, the purchased company is bought out, and often ceases to exist. For a merger, the two companies consolidate, and become a new company. A merger is far less common; rarely is there a situation where both companies would benefit from merging, or when one of the CEOs are willing to step down from their positions (Fontinelle, 2016).

Sometimes, takeovers are not voluntary, and one company may aggressively buy shares of another company in order to overthrow them. Often referred to as a hostile takeover, it is usually done through a tender offer, where the acquirer directly offers to buy the shareholders' shares at a substantially higher price than what it is currently trading on the market ("Tender Offer," 2016). There are laws made in an effort to prevent hostile takeovers, which force any corporations attempting to buy more than 5% of another company to disclose the information to the target company ("Hostile Takeovers," 2003). Once a hostile takeover is made known to the target company, there are a few controversial methods to counter the takeover, the most common of which is called the "poison pill." This defense allows shareholders to purchase newly issued stocks at a price far below the current the market value. The hostile company is barred from buying these newly issued stocks. By doing so, this dilutes the power of the stocks that the hostile company owns, but also drives down the value of all the other shares owned by other shareholders ("Poison Pill," 2015).

Bankruptcy and Liability:

When of corporation declares bankruptcy, one of two things can happen. The company can either attempt to reorganize the organization in attempt to become profitable, all under the supervision of a bankruptcy court. Or the company can liquidate, or sell, all of its assets to try to pay off its debts. In the latter situation, the shareholders are usually the last to be paid, so if the assets are not enough to cover the debts, the shareholders will lose their investments. ("Bankruptcy: What Happens When Public Companies Go Bankrupt," 2009)

The owners, or shareholders, of the company are not liable for the debts of the corporation ("Corporation," 2015). However, the directors and executive officers are potentially liable for damages if there is evidence of any misconduct within the business

(Fenster, 2012). For example, the directors have a duty to act in the interest of the shareholders, if there is evidence that the directors have been acting for their own personal benefits, then they would be held personally liable for the company's debt (Munnery, n.d.). Otherwise, if no misconduct has occurred, then the directors and officers all also free from liability (AllBusiness Editors, 2010).

Character List:

Executives:

Tim Cook (CEO)

Tim Cook is the Chief Executive Officer, the highest ranking executive in Apple, and serves on the board of directors. As the CEO, Cook acts as a means of communication between the board of directors and the operations of the company ("Chief Executive Officer - CEO, n.d.). In Apple, Cook is responsible for making major corporate decisions, directing the long-term growth of the company, and monitoring the overall activities of the other executives of the company. Prior to working in Apple, Cook was a Vice President for Compaq, and a COO for division at Intelligent Electronics (Apple Leadership, n.d.).

Jeff WIlliams (COO)

Jeff Williams is the Chief Operating Officer of Apple. Usually considered the "second-in-command" of a corporation, the COO is tasked with directing the daily operations of the company ("Chief Operating Officer - COO," n.d.). Within Apple, Williams is responsible for managing the company's entire supply chain, as well as ensuring the protection of its workers' interests worldwide through the company's social responsibility initiatives. In addition, Williams is responsible for the worldwide operations for all of Apple's products. Prior to working at Apple, Williams worked in operations at IBM (Apple Leadership, n.d.).

Luca Maestri (CFO)

Lucas Maestri is the Chief Financial Officer of Apple. The CFO essentially serves as the treasurer for the corporation, assists in investment decisions for the company, and manages the company's financial statements ("Chief Financial Officer - CFO," n.d.). In Apple, Maestri's responsibilities include overseeing the company's accounting, mergers and acquisitions, investor relations, etc. Prior to working at Apple, Maestri was the CFO at Xerox and Nokia Siemens Network and has spent over 20 years working in different finance positions around the world (Apple Leadership, n.d.).

Bruce Sewell (General Counsel)

Bruce Sewell is the General Counsel (or Chief Legal Officer) of Apple. The CLO's responsibility is to advise the company management on the potential legal issues that the company may encounter during its operations. Sewell's responsibilities also include maintaining good corporate governance, keeping awareness with intellectual properties, and ensuring global security and privacy for the company. Prior to joining Apple, Sewell worked at Intel, overseeing all of Intel's legal and corporate social responsibility programs (Apple Leadership, n.d.).

Dan Riccio (Hardware Engineering)

Dan Riccio is the senior vice president of Hardware Engineering. Riccio leads the engineering teams for many of Apple's products and has played a large role in the hardware of all of Apple's products since the first iPad. Prior to working at Apple, Riccio worked as a Senior Manager at Compaq, responsible the mechanical engineering of Compaq's computer products (Apple Leadership, n.d.).

Lisa Jackson (Environment, Policy and Social Initiatives)

Lisa Jackson is the Vice President of Environment, Policy and Social Initiatives. Jackson's responsibilities include minimizing Apple's effects on the environment through the use of renewable energy and greener materials, and overseeing education on Apple's policy programs like ConnectED. Before working at Apple, Jackson was the administrator of the U.S. Environmental Protection Agency (Apple Leadership, n.d.).

Deirdre O'Brien (People)

Deirdre O'Brien is the Vice President of People. O'Brien essentially leads Human Resources at the company, heading functions including recruitment and compensation. O'Brien is also overseeing Apple University. O'Brien has been working at Apple since 1988 and has participated in introducing a number of products (Apple Leadership, n.d.).

Steve Dowling (Communications)

Steve Dowling is the Vice President of Communications for Apple. Dowling is responsible for the company's media and public relations, as well as employee communications at corporate events. Prior to working at Apple, Dowling worked at CNBC as a writer and producer (Apple Leadership, n.d.).

Board of Directors:

Arthur D. Levinson, Ph. D.

Arthur D. Levinson is the founder and current CEO of Calico, a research company that works towards methods that enables people to live longer and healthier lives. Levinson's experience on the board extends to other companies including a 15 year tenure as Chairman at Genentech and a member of the board at F. Hoffmann-La Roche Ltd. Joining Apple as a director in 2000, Levinson now serves as the company's Chairman of the Board and a member of its Audit Committee. As chairman, Levinson moderates the board meetings and monitors the CEO to ensure that they are properly following the directives of the board ("Notice of Annual Board Meeting of Shareholders," 2017).

Robert A. Iger

Robert A. Iger is currently the CEO and Chairman of Walt Disney Company, a multi-media company renowned for its production of the beloved Disney animated movies. Iger has also previously served as the Disney's President and COO, and has held a series of executive positions at ABC. Joining Apple as a director in 2011, Iger now chairs the Nominating Committee and is a member of the Compensation Committee ("Notice of Annual Board Meeting of Shareholders," 2017).

Ronald D. Sugar, Ph.D

Ronald D. Sugar was the previous Chairman and CEO of Northrop Grumman Corporation, a global security company the contracts its services to the military of numerous countries. Sugar has also held executive positions at Litton Industries, Inc. and at TRW Inc., and served as a director at Chevron Corporation. Joining Apple as a director in 2010, Sugar serves as the chair of the Audit Committee ("Notice of Annual Board Meeting of Shareholders," 2017).

James A. Bell

James A. Bell is the previous Executive Vice President, Corporate President, and CFO of the Boeing Company, an aerospace and defense company, and manufacturer of commercial jetliners and military defense systems. Bell has also held director positions at The Dow Chemical Company, JPMorgan Chase & Co., and CDW Corporation. Joining Apple as a director in 2011, Bell serves as a member in the Audit Committee ("Notice of Annual Board Meeting of Shareholders," 2017).

Albert Gore Jr.

Albert Gore Jr. was the previous Vice President of the United States, having served two terms under the Clinton administration. In addition to his role in politics, Gore has also served as the Chairman at Generation Investment Management, an investment management firm. Joining Apple as a director in 2003, Gore now serves as a member of the Compensation and Nominating Committees ("Notice of Annual Board Meeting of Shareholders," 2017).

Andrea Jung

Andrea Jung is the current President and CEO of Grameen America, a nonprofit financing organization dedicated to helping women start up their own businesses. Jung has also previously served as the Chairman and CEO of Avon Products, Inc. Joining Apple as a director in 2008, Jung now chairs the Compensation Committee and is a member of the Nominating Committee ("Notice of Annual Board Meeting of Shareholders," 2017).

Susan L. Wagner

Susan L. Wagner is the co-founder and a director of Blackrock, Inc., an asset management company. Wagner also serves as a director of Swiss Re Corporate Solutions Ltd. and Swiss Re LIfe Capital Ltd., chairing the Investment Committee and Governance Committee for both companies. Joining Apple as a director in 2014, Wagner serves as a member of the Audit Committee ("Notice of Annual Board Meeting of Shareholders," 2017).

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