

Exhibit "B"

The New York Times

Monday, August 20, 2007

Technology

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Apple's Chief in the Risky Land of the Handhelds

By JOHN MARKOFF
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It has long been Silicon Valley's favorite guessing game: What is Steven P. Jobs going to do next?

The question is particularly engrossing as Apple Computer prepares to introduce the new version of its Macintosh OS X software operating system.

There are signs that, with the new version of the Macintosh OS, Mr. Jobs, Apple's founder, chairman and chief executive, may be approaching a precipice like the one that led to the downfall seven years ago of the man who was then Apple's chief executive, John Sculley.

Mr. Sculley's great tumble came after he staked his and Apple's reputation on the ill-fated Newton hand-held computer -- an ambitious product based on handwriting-recognition technology that was ahead of its time. And now come signs that Mr. Jobs means to take Apple back to the land of the handhelds, but this time with a device that would combine elements of a cellphone and a Palm-like personal digital assistant.

Mr. Jobs and Apple decline to confirm those plans. But industry analysts see evidence that Apple is contemplating what inside the company is being called an "iPhone."

Among the evidence, they say, is recent behind-the-scenes wrangling between Palm and Apple over linking Palm's own devices to Apple's new operating system -- apparently with little cooperation on Apple's part.

Analysts also cite Apple's deal with Pixa, the tiny company that designed the software for Apple's popular iPod MP3 music player; that deal includes a license for Apple to use Pixa's software with a second product.



And analysts note that the presence of a variety of features in the new Macintosh OS software that would make more sense in a hand-held device than a desktop computer.

"When you connect the dots, you end up at a phone," said Charles Wolf, a financial analyst who follows Apple for Needham & Company.

Compared with the Newton, which was delivered prematurely in 1993 to a market not yet ready for such products, Apple's new device would reach a field in which other companies have already plowed the ground -- including giants like Microsoft, Nokia and Motorola, as well as start-ups like Handspring and Danger. This crowded field could pose risks for Apple, if its product were seen to fall short of the competition.

And yet, entering an already established market could give Mr. Jobs the opportunity to show off his and Apple's vaunted innovation and marketing skills.

Certainly, Apple's push into the market for a hand-held communicator would be an abrupt departure for Mr. Jobs, who continues publicly to disavow talk of such a move. But analysts and people close to the company say that the plan is under way and that the evidence is manifest in the features and elements of the new version of the Macintosh operating system.

Mr. Jobs -- who was a co-founder of Apple and handpicked Mr. Sculley as its president, only to be forced out by him in 1985 -- returned five years ago when the company was on the brink of collapse.

In a remarkable turnaround effort, Mr. Jobs has taken pains to distance Apple from the Sculley-Newton legacy. He canceled the Newton soon after returning and has pooh-pooed the industry's personal digital assistants as "junk" and worse.

Behind the scenes, though, Mr. Jobs has been actively exploring the computing world beyond the desktop. Soon after he arrived back at Apple, for example, he attempted to buy Palm for \$1 billion, according to a Silicon Valley executive familiar with the offer. Palm rejected the idea, this executive said.

Now, with the release of the newest version of the Macintosh operating system, Mr. Jobs appears intent on taking Apple itself into the hand-held market. The move would play into Apple's so-called digital hub strategy, in which the Macintosh desktop computer is the center of a web of peripheral devices.

The highly anticipated Macintosh OS X, Version 10.2, which began shipping on the company's newest computers last week, will go on sale for existing Macintosh users on Saturday. While the software is being marketed as an improvement for desktop computer users, it could have just as big a future in powering a yet-to-be announced Apple handheld computer-phone.

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Apple's remarkable comeback story CNNMoney.com March 29, 2006 Wednesday 6:34 PM EST

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HEADLINE: Apple's remarkable comeback story

BYLINE: By Amanda Cantrell, CNNMoney.com staff writer

BODY:

Apple Computer is turning 30 but its meteoric rise in the music business makes it look more like it's 17.

Meanwhile, Microsoft turns 31 this year but feels much more middle aged: it's wealthy, yes, but moving less swiftly, with a tendency to be a couple of years behind when it comes to stuff like the Internet.

"Apple has struck a cultural nerve, especially with Generation X and Gen Y, while Windows and PC are viewed in essence as 'My parents' computer'," said Tim Bajarin, president of technology research firm Creative Strategies.

The Apple of today is a far cry from the company co-founded by Steve Jobs and fellow college dropout Steve Wozniak on April Fool's Day in 1976. Their first product was a build-it-yourself computer kit and later the Apple II, a machine widely credited with popularizing the home computer.

But Apple's 30th birthday won't be all cake and punch.

Two of its top executives are calling it quits Friday, the day before Apple turns 30 on April 1. Avie Tevanian, Apple's top software developer, is stepping down to "pursue other interests"; his resignation coincides with the previously announced departure of Jon Rubinstein, head of the company's red-hot iPod division.

Apple lawyers were also in court Wednesday facing off against Apple Corps, the company that controls the Beatles' business interests, over the use of the Apple name to sell music online.

Despite those problems, Apple has grown remarkably in the past five years, and that growth spurt comes from its utter dominance in the portable music business.

Thanks largely to the iPod, and Apple's iTunes music store, Apple stock has soared from \$7.44 at the start of 2001 -- the year the iPod was introduced -- to a high of about \$86 in mid-January. The stock has since retreated back near \$60.

That's a far cry from 10 years ago, when Apple was hemorrhaging money and the company was struggling to right its flagship brand of Macintosh computers.

"Apple had plastic surgery and liposuction and a boob job," joked Daniel Morgan, a portfolio manager at Synovus Investment Advisers, who said Apple's makeover into a consumer electronics company is why the company rebounded so successfully from its mid-90s slump. Morgan owns shares of Apple personally and in the funds he manages.

Morgan noted that Apple almost single-handedly created the market for MP3 players by creating a seamless user experience -- which helped spark its transformation from its roots as a maker of small, colorful computers.

The iPod, which claims almost a 73 percent share of the market for portable music players, is the driving force for Apple's cultural, and financial Renaissance. It also accounts for nearly 40 percent of Apple's sales, according to analysts.

Jobs, ousted, returns

Indeed, Apple at 30 is a far healthier company than Apple at 20. Ten years ago, Apple was steadily losing market share with its Macs, which had kept it among the top 3 computer makers during the 1980s.

Apple commanded a 16 percent share of the PC market in 1986, making it No. 2 behind IBM, according to Daniel Daoud, an analyst at market researcher IDC, and it still held about 10.7 percent of the market as late as 1990 -- five years after Jobs was ousted from his CEO post by the board.

The Macintosh brand kept it afloat through the early 1990s even as its market share slid further starting two years after Jobs' ouster.

Apple then went through a string of CEOs as it struggled to broaden the Mac's appeal from a core user base of professional graphic designers, and released such duds as the Newton, its brick-sized personal digital assistant.

Apple's stock sank to \$3.30 in July 1997, and the company reported a net loss of \$708 million in its second quarter that year. Those losses came as rivals like Dell and almost every other computer company except Apple was riding the tech boom of the late 1990s.

After Jobs returned that year, Apple started releasing a string of new products, including the colorful iMacs, complete with a splashy, prime-time ad campaign. Then came the iPod, in October 2001.

Moving to MP3s

Though volumes of Macs sold have risen -- the company shipped more than a million last quarter -- the company's share of the market for computer makers has slipped to 4 percent in the U.S. and 2.3 percent globally, according to IDC.

But at the same time, Apple managed to transform itself into the premier provider of MP3

players. Analysts say this is important, because as growth in the personal computer market slows, growth in the consumer electronics space is skyrocketing.

"That's something a lot of PC makers are struggling with today and it's something Apple has done really well," said Nitin Gupta, an analyst with market research firm Yankee Group.

But Apple will face challenges as the company seeks to keep up the momentum it has built up over the last five years. For starters, Apple will have to move beyond audio to video, something it's started to do with video iPods and content sold through iTunes, according to Yankee Group's Gupta.

It will also do battle with PC makers for the control of the "digital home," a scenario where you store all your movies and music on machines in your living room.

Another trend Apple will need to heed: music over mobile phones, a market that today is limited largely to consumer downloads of ring tones. Some industry analysts say **Apple** will launch its own "**iPhone**," since the ROKR phone from Motorola that features iTunes has been far from a smash.

But while it's developing new products Apple will need to watch profits, said Morgan of Synovus, since profits in the consumer electronics business can be lower than in computer manufacturing.

As for its flagship Macs, the company is in the midst of refreshing its entire product line to include Intel chips for the first time in its history. But whether that will help Apple gain share remains to be seen.

IDC's Daoud thinks it can. He notes that Apple grew the number of computers it sold by almost 35 percent last year, while computer sales worldwide grew just 16 percent. But for Apple to continue on its successful path, it needs to keep innovating, he added.

"The path for Apple going forward is to look beyond existing market models and anticipate demand in the long run," he said.

Sonice boom: iPods go hi-fi. Get the full story from Fortune.

Apple, Beatles face off in court. More here.

Plus: iPods get muzzled. Click here for that story.

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alone cellular phones. I made numerous calls, including one where I crossed the street while talking to a New York radio reporter - probably one of the more dangerous things I have ever done in my life."

Sending electronic messages is taken for granted now. We send music, movies, TV shows, stock quotes, weather forecasts, Beyoncé videos and all manner of information into a handheld goodie powered by a wafer-thin battery.

Cell phones have evolved as commodities and have forced a shift in the way we communicate. But not all phones survive the hype. Last year, Motorola introduced the Rokr "iTunes," an interesting device that was derailed by a clunky design and nonintuitive controls. Rumors are rife this spring that Steve Jobs and **Apple** are readying a branded "**iPhone**" for delivery later this year.

Confirmed for delivery this summer is the TiVo/Verizon cell connection, dubbed TiVo Mobile, whereby users of Verizon's phones will be able to remotely program their TiVo digital video recorders via certain handsets.

Meanwhile, there's plenty of on-the-go goods to audition. Here are a few of them:

Motorola Pebl U6 (\$299). "Only nice on the outside," squawked one user in his online critique of the Pebl, but sometimes that's enough. The onboard camera is only so-so, and the feature set predictable, but the gotta-have-it fashion factor is stupid big.

Cute as can be and pretty in pink (or black or orange or other chic shades), the Pebl is oval with soft, rounded edges and a rubbery texture - its form reminds us of Sony's "bean" MP3 player. The quick-open hinges are a model of industrial design. If there's any complaint, it's that it opens too quickly.

Did we mention phone/sound quality? It's quite good. But that pink cover . . . ?

Sony Ericcson K800 and K790 (No price announced). Introduced in February, the "Ks" are the first multimedia mobile devices to be branded "Cyber-shot" by Sony, which the company hopes will indicate they are as much camera as telephone.

In these days of massive megapixels, a camera with a 3.2-meg sensor isn't exciting, but Sony Ericcson has given these designs a shape that is shooter-friendly. The engineers also have added a sliding lens cover, a serious Xenon auto-flash and PictBridge, a feature that transfers pictures directly to a photo-capable printer by using a USB cable, avoiding the need for a PC. Decent Adobe photo-editing software also is included.

Nokia N90 (About \$400 with contract).

It seems Nokia makes more phones than Hershey makes Kisses, and, as with the Kisses, everybody wants a taste. The new "twist and shoot"

T-Mobile N90 is the crème de la crème of combo phones, with photo functions, music playback and communication.

Models come with a bag of features: a 2-megapixel camera with Zeiss optics, push e-mail with text and image messaging, a 2.1-inch active matrix color display, Bluetooth connectivity, FM radio and that super-slick form factor.

Motorola Q (No price announced). The sexiest "smart phone" on the shelves, the Q is the skinny Razr design plus a keyboard and will be among the first phones to run Microsoft Windows Mobile OS, for advanced Web communicating.

At less than a half-inch thin, the

Q is set to ship "shortly," according

to Motorola. It is a business tool first, but with stereo speakers, a landscape-oriented display with a QVGA resolution of 320 x 240 pixels and battery life that's supposed to offer up to 200 minutes of talk time, the Q is an across-the-board grabber.

Tracking suspects' phones

The ping's the thing.

Even when a cell phone's not making or receiving a call, its position is being constantly tracked.

That's because the devices contain what are essentially small radio transmitters that continuously broadcast, or ping, their location to the phone's service provider network.

Technology allows the phone's position to be "triangulated" to within 300 yards of its location, based on signals received from the phone by nearby cell phone towers or masts.

Recently, federal judges in New York and Maryland denied requests by the FBI to obtain location-tracking information that would have revealed the movements of a cell phone owner. The justices in those cases wrote that the law enforcement authorities must show evidence of criminality or wrongdoing to have such tracking requests granted.

However, New York City police officials said they were able to obtain evidence, based on tracking the location of a cell phone, that allegedly placed a murder suspect near the scene of the crime in Brooklyn.

GRAPHIC: PHOTOS - 1) Motorola Peb! U6; 2) Sony Ericcson K800 and K790; 3) Nokia N90; 4) Motorola Q; 5) Photo by Erin Lubin - Hold the phone. Martin Cooper, inventor of the cell phone, with the devie he used 33 years ago yesterday to make the first call. His wife and partner, Arlene Harris displays the newest design, the Jitterbug, simplified for older consumers. (A30NS; A32 C)

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*Apple stock hits new high on analyst optimism over iPod, possible iPhone Associated Press
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HEADLINE: Apple stock hits new high on analyst optimism over iPod, possible iPhone

DATELINE: SAN FRANCISCO

BODY:

Apple Computer Inc. rose to a new all-time high Tuesday as investors got behind the company's stock following some recent analyst speculation about iPod sales in the holiday season, along with the belief that Apple is close to getting into the mobile-phone market.

Shares of Apple rose \$1.66, or 1.9 percent, to \$88.14 in afternoon trading on the Nasdaq Stock Market. Shares traded as high as \$88.40, above the previous high of \$87 reached Monday.

While the Cupertino, Calif.-based company is typically tightlipped about its next round of products, some analysts believe that **Apple** will soon unveil the "**iPhone**," which will be the first **Apple**-branded mobile phone. The **iPhone** is said to include the iTunes music-playing technology and instant-messaging capabilities.

Shaw Wu of American Technology Research wrote in a note that any iPhone remains in the development phase, and it's not possible to gauge when Apple might release such a device, or with whom the company is partnering with to make the iPhone a reality.

Wu also said that he expects Apple to sell 14 million iPods in its current fiscal quarter. Such results would be in line with its sales figures in the same period a year ago.

Apple typically uses company events to announce new product releases, and will likely use the annual San Francisco MacWorld Expo in January to debut its next devices.

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We Want the iPhone!; Playing music on cell phones hasn't exactly swept the nation, at least not yet. PC Magazine November 29, 2006 Wednesday

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PC Magazine

November 29, 2006 Wednesday

SECTION: FIRST LOOKS; Pg. 8 Vol. 25 No. 23

LENGTH: 393 words

HEADLINE: We Want the iPhone!;
Playing music on cell phones hasn't exactly swept the nation, at least not yet.

BYLINE: Sascha Segan

BODY:

Playing music on cell phones hasn't exactly swept the nation, at least not yet. But as recently as 2001, MP3 players were also considered fringe geek devices. Apple has completely changed all that. Once Steve Jobs reinvented the MP3 player and made the right deals with record companies, the digital music market took off.

Of course, rumors of an "iPhone" (an Apple-branded cell phone that would revolutionize the way we use mobile devices) have been swirling around for years now. It's easy to understand the appeal of a device like this. Cell-phone interfaces are broken, confusing, and overloaded, whereas Apple is the UI master. The integration of music and video on phones leaves a lot to be desired, too. On January 8, Apple may finally release its iPhone at Macworld San Francisco.

For the iPhone to sweep the world as did iPod, though, Apple has a tough list of requirements to fulfill. The iPhone needs to be an all-Apple project. The disastrous Motorola ROKR and RAZR V3i show what happens when other companies (here, Motorola and Cingular) become involved with Apple's product design. You get a hideous chimera with two integrated music players and an ancient user interface that takes 45 minutes to load music from your PC.

The iPhone needs to work just the way an iPod does. The iPod interface is the gold standard in music players, and consumers won't accept anything less. Unlike the ROKR, the device

also must support playlists and video and transfer songs at more than a snail's pace. Still, the iPhone must be more than just an iPod. T-Mobile CEO Robert Dotson said in October that Apple's Leopard OS gets a lot of things right, including rich e-mail. I'd say that along with syncing PIM information and supporting e-mail and IM, Apple needs to do something unexpected--perhaps show other manufacturers and carriers how to design a device for the MySpace/YouTube crowd.

In addition, potential buyers can't be restricted to one carrier. For Apple to be truly successful, it needs to do what Motorola has done with the RAZR and give everyone the option to get an iPhone. Also, U.S. wireless carriers have a horribly effective track record when it comes to slaughtering cell phone features to "protect" their clumsy efforts at overpriced, network-based services. It's time for the cellular carriers to think different.

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