

# Exhibit 2

"All the News  
That's Fit to Print"

# The New York Times

Late Edition

New York: Today, partly to mostly sunny, breezy, chilly, high 37. Tonight, clear, cold, low 28. Tomorrow, sunny, not as cold, high 42. Yesterday, high 44, low 34. Weather map, Page B8.

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ONE DOLLAR

## 2 Stars Leap to Hall of Fame, But Steroid Cloud Stops 3rd

By JACK CURRY

Cal Ripken was the ironman who played in 2,632 consecutive games, Tony Gwynn was the hitting machine who won eight batting titles, and yesterday both were elected to the Baseball Hall of Fame in near-unanimous votes. But their achievements were overshadowed by the voters' rejection of Mark McGwire, a slugger who seemed like a modern-day Paul Bunyan before he fell into disrepute because of suspected steroid use.

McGwire's name was included on just 128 of the 545 ballots cast by baseball writers who took part in the voting, a 23.5 percent showing that fell far short of the 75 percent needed for induction. Because this was McGwire's initial appearance on the ballot, the vote was viewed as one of the first verdicts to be handed down on baseball's troubled steroids era, a period that began in the early 1990s and apparently continued unabated until recent seasons.

It was during this era that players grew bigger, baseballs traveled farther and records began to tumble. McGwire was in the middle of it all, hitting 70 home runs for the St. Louis Cardinals in 1998 to shatter Roger Maris's single-season mark of 61 and helping restore the popularity of a sport damaged by a strike that led to the cancellation of the 1994 World Series. But since then, McGwire's image had been increasingly damaged, and it was reflected in his paltry voting percentage, a re-

putation so pronounced that it may be difficult for him ever to be elected to the Hall.

McGwire, who is 43, retired after the 2001 season, having hit 583 career home runs, which is seventh on baseball's career list.

As concern over steroid use grew in recent years, McGwire, in retirement, found himself under increasing suspicion. And it came to a head when he refused to answer questions about possible steroid use during a Congressional hearing in March 2005.

At the hearing, McGwire repeatedly stated that he would not discuss the past. His silence was viewed by many of the baseball writers who take part in the Hall of Fame voting as a tacit admission that he had used steroids while playing. The fact that he would not publicly acknowledge doing so, at the hearing or since then, only made matters worse in the eyes of some of those writers.

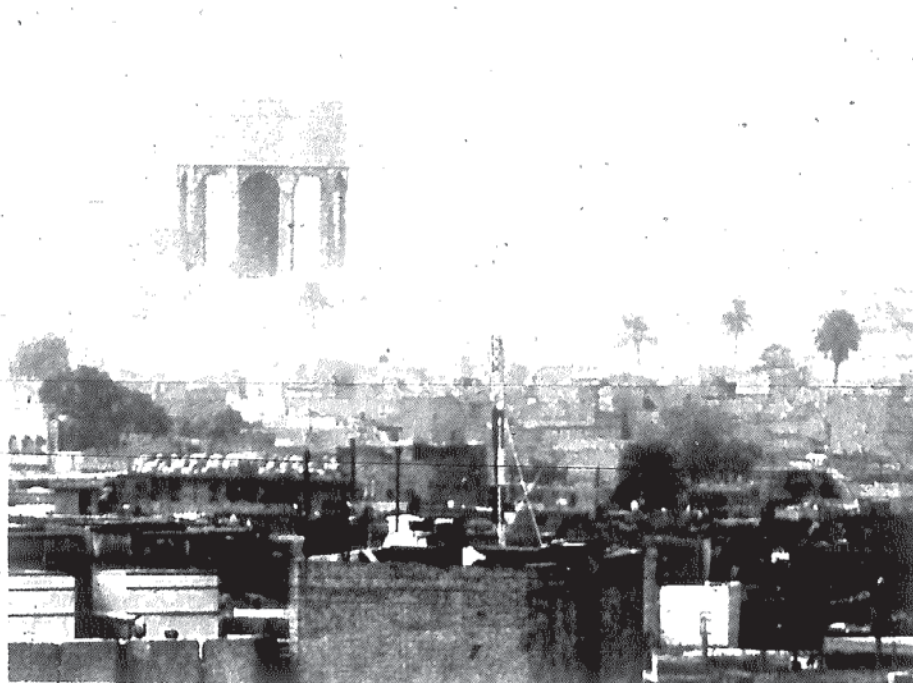
"The fact that Mark didn't get in, I think it's more of people making a statement about the Congressional hearings than it is what he was able to do on the baseball field," Gwynn said in a conference call yesterday after the voting results were announced. "I don't mind saying I think he's a Hall of Famer. I do."

But members of the Baseball Writers' Association of America thought otherwise this year, and may continue to do so for the 14 years McGwire potentially has remaining on the ballot.

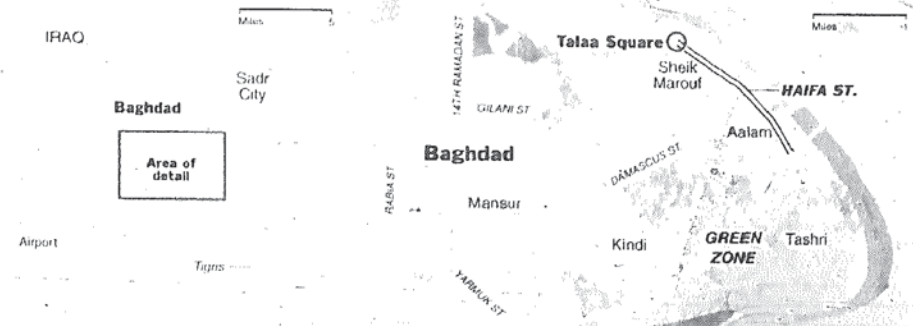
Under the voting rules, each writer can nominate up to 10 players who have been retired for at least five seasons. McGwire ended up ninth in the voting, trailing far behind Gwynn, who received 532 votes, or 97.6 percent, and even farther behind Ripken, who was chosen on 537 ballots, or 98.5 percent, the third-highest percentage ever. Gwynn and Ripken were also on the ballot for the first time.

Unlike Gwynn, who called McGwire a Hall of Famer multiple times, Ripken was not ready to give McGwire that designation.

"When I sit and I look at the



Ali Hamdan/European Pressphoto Agency



The New York Times, satellite image by Digital Globe via Google Earth

Smoke rose from Haifa Street in Baghdad yesterday as American and Iraqi troops fought Iraqi insurgents.

## U.S. AND IRAQIS HIT INSURGENTS IN ALL-DAY FIGHT

### CENTRAL BAGHDAD ROCKED

### Air and Ground Strikes in Effort to Reclaim Areas Close to Green Zone

By MARC SANTORA

BAGHDAD, Jan. 9 — More than 1,000 American and Iraqi troops, backed by Apache attack helicopters and fighter jets, battled insurgents all day Tuesday and late into the night in downtown Baghdad, in one of the most dramatic operations in the capital since the invasion nearly four years ago.

The fighting raged less than 1,000 yards from the heavily fortified Green Zone, which houses both the American command and the Iraqi government. It was the latest episode for the troubled neighborhood around Haifa Street, where major campaigns have repeatedly been initiated to rid the area of insurgents, only to have them re-infiltrate.

Iraqi officials said that at least 50 militants were killed Tuesday, but the Americans said they could not provide a count.

Problems in other contested areas across Baghdad came to a crisis point in the fall, causing American commanders to abandon a major push to regain control of the city, and setting off a policy review that led to the changes President Bush will announce in a speech to the nation on Wednesday night.

The president is widely expected to call for 20,000 to 30,000 more soldiers in Iraq, with many coming to Baghdad to help quell the sectarian fighting.

American commanders have said the strategy will emphasize an even-handed approach in Sunni and Shiite neighborhoods, something that they acknowledge has evaded them as they have worked with Iraq's Shiite-



Doug Mills/The New York Times

## VENEZUELAN PLAN SHAKES INVESTORS

Verizon and Others Face

## Democrats Plan Symbolic Votes Against Bush's Iraq Troop Plan

By JEFF ZELENY and CARL HULSE

WASHINGTON, Jan. 9 — Demo- tion to a troop increase. House Dem-

# Apple, Hoping for Another iPod, Introduces Innovative Cellphone

By JOHN MARKOFF

SAN FRANCISCO, Jan. 9 — With characteristic showmanship, Steven P. Jobs introduced Apple's long-awaited entry into the cellphone world Tuesday, pronouncing it an achievement on a par with the Macintosh and the iPod.

The creation, the iPhone, priced at \$499 or \$599, will not be for everyone. It will be available with a single carrier, Cingular Wireless, at midyear. Its essential functions — music player, camera, Web browser and e-mail tool as well as phone — have become commonplace in hand-held devices.

But it was the ability to fuse those elements with a raft of innovations and Apple's distinctive design sense that had the crowd here buzzing.

Apple's goal, Mr. Jobs said, was to translate the Macintosh computer's ease of operation into the phone realm. "We want to make it so easy to use that everyone can use it," he said. And he was clearly betting on translating Apple's success with the iPod music player to a hot category of multifunction devices.

Underscoring the transformation of a quirky computer maker into the dominant force in digital music, and signaling his ambitions to extend that reach, Mr. Jobs also announced that Apple was dropping "computer"



Paul Sakuma/Associated Press

Steven P. Jobs introduced Apple's cellphone in San Francisco.

from its name and would henceforth be known as Apple Inc.

Investors took quickly to the pitch, sending Apple's stock price up to a record close, while shares of established cellphone makers slumped.

Still, the phone is a gamble on a new business for Apple. And even

Continued on Page C6

# Apple, Hoping for Another iPod, Introduces Innovative Cellphone

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with its success with the iPod and a reborn line of computers, it has not been immune to marketplace failures, like the Macintosh Cube introduced in 2000.

But in his two-hour presentation before an audience of reporters, analysts and Apple employees at the Macworld Expo trade show, the parallel he repeatedly drew was between the new phone and the Macintosh personal computer, which had a vast impact on the computer industry when it arrived in 1984.

Noting that there are occasionally new products that change everything, Mr. Jobs said, "Apple has been able to introduce a few of these into the world."

He said Apple had set the goal of taking 1 percent of the world market for cellphones by the end of 2008. That may seem small, but with a billion handsets sold last year worldwide, that would mean 10 million iPhones — a healthy supplement to the 39 million iPods that Apple sold last year.

"Steve can make the internal combustion engine appear to be something new and cool," said Reed E. Hundt, the former commissioner of the Federal Communications Commission. "He will provide a certain magic even to the 30-year-old cellphone."

Mr. Jobs's product tour de force was even more remarkable for its timing, as questions continue to be raised over the company's stock options practices and his role in them.

"The truth of the matter is everything is fine," he said during an interview after his presentation. "We've shared it all with the S.E.C."

He acknowledged the controversy over the timing of some of Apple's stock option grants, which Apple appears to have fanned recently with a disclosure to the Securities and Exchange Commission that contained a circumspect description of his role in the options award process.

"It's raised questions," he said, "but some of the journalism has been so off the mark. But I know the truth. It's painful to read some of this stuff, but I know it's kind of ridiculous and will pass."

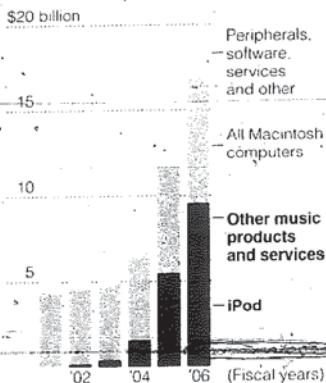
If he is in any trouble, Mr. Jobs showed no signs of it either on stage, where he was treated with great warmth by his audience of 4,000, or in an interview afterward in which he

Laurie J. Flynn and Miguel Helft contributed reporting from San Francisco and Brad Stone from Las Vegas.

## A High Point for Apple

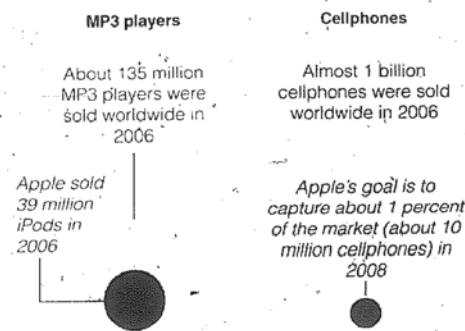
The success of the iPod and iTunes has provided significant sales growth for Apple.

### Apple net sales



Sources: Apple; Bloomberg Financial Markets (stock price)

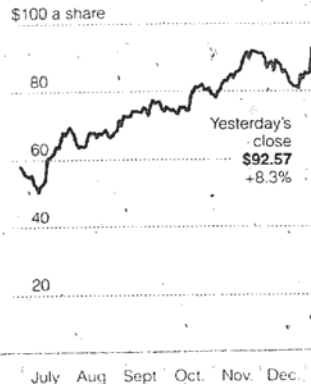
### Apple market share



Note: industry figures compiled by Apple

The reaction on Wall Street yesterday was very favorable, sending the stock price to a record close.

### Apple stock price



The New York Times

showed obvious delight in highlighting subtle industrial design features.

Mr. Jobs showed a series of applications including e-mail, advanced voice mail, photo collections and visually appealing Web searching. He promoted the fact that the new iPhone is powered by the same core OS X operating system that the Macintosh computer is based on, offering power-management features and advanced graphics abilities.

The user interface relies heavily on a high-resolution touch screen that makes it possible to use a finger to control the phone. It has features that are still more subtle, including sensors that track light and movement and proximity, to prompt the phone to control screen brightness and physical orientation and other aspects of its operation. For example, when the phone is placed next to the user's face, the keyboard is automatically turned off.

Apple chose the name iPhone even though Cisco Systems, the network and consumer wireless company, has recently introduced a Wi-Fi-based phone with the same name. Mr. Jobs had been negotiating with Cisco executives over the trademark in recent days.

The \$499 version of the device will have four gigabytes of storage, and the \$599 version will offer twice that.

"At \$499 and \$599, it's a pretty expensive deal," said Rob Glaser, chief executive of Real Networks, whose online music store is a rival of Apple's iTunes Store. "Steve is more fo-

### ONLINE: A SHOWTIME BLOG

Bits, a blog by Times reporters, offers coverage and analysis of the Consumer Electronics Show and the Macworld Expo: [bits.blogs.nytimes.com](http://bits.blogs.nytimes.com)

cused on not cannibalizing iPod sales than on driving volume of phones. Those are not high-volume prices."

Mr. Jobs defended the higher price of the new phone in a market where prices of so-called smartphones — those combining voice calling with Internet functions — are rapidly plunging to \$200 and below. He contrasted the iPhone, which has only one mechanical button on its surface, with the BlackBerry and smartphones from Motorola and Palm. Rather than what he called "small plastic keyboards," the iPhone will have a display that becomes both the keyboard and control panel, morphing to suit the current application.

"After today I don't think anyone is going to look at these phones in the same way," he said.

Apple's relationship with Cingular began two years ago when Mr. Jobs phoned Stanley T. Sigman, Cingular's chief executive, and proposed that they speak about a relationship. The two had an initial meeting in February 2005 in a New York hotel.

Apple spoke with other carriers before committing itself to its exclusive link with Cingular, Mr. Jobs

said, but he would not give details.

In addition to the Apple relationship with Cingular, which Mr. Jobs said was forged without offering the wireless carrier even a peek at an early prototype, the iPhone will offer special applications from both Google and Yahoo. Users will be able to use both services' search and e-mail services as well as a custom version of Google Maps.

Eric E. Schmidt, who is chief executive of Google as well as a member of Apple's board, and Jerry Yang, co-founder of Yahoo, came on stage to endorse the new hand-held.

"I'm not a board member of Apple, but I would like one of these, too," Mr. Yang said.

Regis McKenna, the veteran public relations specialist and corporate strategist who tutored Mr. Jobs in the art of high-tech marketing beginning in the late 1970s, said: "This compares favorably with the launch of the Macintosh. The price is high, but it will come down."

Despite the widespread comment and enthusiasm that the phone generated, there were also many questions about its design and about Apple's strategy.

Some analysts and industry executives noted that the Apple designers had shunned Cingular's higher-speed digital cellular network. Mr. Jobs said later models would have additional networking standards.

Others questioned whether the device would be as versatile as other smartphones if it was not truly open

— that is, able to accommodate many programs from third parties, as personal computers are.

Mr. Jobs would not say how open the phone would be to other developers, but added: "I don't want people to think of this as a computer. I think of it as reinventing the phone."

He also said he was anxious to help protect the Cingular network from the kind of viruses and worms that bedevil the PC world today.

The phones will go on sale in June through Apple and Cingular (online, by phone and in stores). Mr. Jobs said the phone was being announced ahead of its availability to head off disclosure that might have resulted in the course of Federal Communications Commission licensing.

Although it will be a half-year before it is possible to know whether Mr. Jobs has another hit product, there was no shortage of enthusiasm based on the first glimpse today.

"It's like they read our minds," said David Myers, executive chef at Sona restaurant in Los Angeles and chief executive of the Food Arts Group, where the employees currently use the Treo smartphone from Palm. "This is the next step in not accepting poor design any longer."

Before he introduced the phone, Mr. Jobs said Apple TV, the digital video system that he announced as iTV last year, would be available for \$299 in February. The device will store up to 50 hours of video and permit wireless streaming of content from a computer to a television.