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June 29, 2007

Mr. Steve Jobs  
CEO  
Apple  
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Mr. Randall L. Stephenson  
Chairman & CEO  
AT&T  
175 E. Houston  
San Antonio, TX 78299-2933

By facsimile

Gentlemen:

We write regarding the policies your companies intend to adopt concerning the iPhone handset and the wireless services available to purchasers of the iPhone.

The marketplace is excited by today's introduction of the iPhone, which has been widely heralded as the next step in the evolution of the multifunction cell phone. This is, therefore, an opportune moment for Apple and AT&T to pioneer a commensurately evolved approach to consumer service, support and respect for consumer rights. While consumers have embraced wireless and handheld technologies, and rewarded your firms with their business, the devices and company practices have not always measured up to customer expectations, or to the requirements of state consumer protection laws. Why not meet and exceed the standards as the iPhone reaches the marketplace?

Based on the information available early this morning with respect to the 6 p.m. inauguration of the iPhone program, we urge your attention to the following issues:

**Battery warranty and disclosure.** The iPhone battery is apparently not user-replaceable. This was and remains a controversial aspect of the iPod, because some users were required to replace the battery after an unexpectedly short duration, and at considerable expense of up to 50% of the cost of a new iPod, including shipping and handling fees. (Replacement using third party batteries has been less expensive, but would void the warranty.) News reports quote Apple as stating that the iPhone's battery will eventually



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deplete itself after 300 to 400 charges. (New York Times, June 27, 2007.) This is a matter of concern to purchasers of the product. Unlike the iPod, the iPhone is obviously intended and marketed as a device to be utilized for a broad range of business related purposes, and on a constant basis. A customer who recharges the iPhone every night, as most cell phone users do, may therefore require a battery replacement within ten months.

We have carefully examined all iPhone information available online from your firms' web sites. As of this writing, neither Apple nor AT&T has posted any information regarding the policy with respect to battery replacement. We can only assume that Apple and/or AT&T intend to provide a replacement battery at no charge for the actual life of the phone. Moreover, we assume that your firms have arranged a mechanism for instantaneous replacement at your stores so as to ensure that consumers are not confronted with the time, expense, and loss of use they would incur if their iPhone must be sent in for replacement by mail, as occurs with the iPod.

If our assumptions are incorrect, and your firms do not intend to adopt such policies, we believe many consumers will be greatly surprised, and we urge you to prominently disclose the actual battery replacement cost and replacement process in all advertising and on a pre-sale basis at your retail stores, including prior to activation on iTunes, in order to ensure that no consumers are misled concerning the performance and ultimate effective cost of the unit.

**Rate plan commitment and early termination fee.** The cellular industry has insisted publicly, and in numerous court cases, that early termination fees – fees of \$150 or more levied by wireless carriers on customers who cancel their contracts before a specified period of time – are necessary to offset the cost of providing handsets at subsidized prices. However, we note that even though the iPhone will be sold at its full retail price, your firms will require customers to enter into a two year service contract with AT&T and will further require a \$175 early termination fee should a customer cancel service for any reason – including poor service, defective hardware or other reason – within that period.

We further note that disclosures as to the two-year contractual commitment were made initially in Apple's advertising for the product, but were later removed from the advertising.

We call upon your companies to refrain from proceeding with the punitive and anti-competitive practice of charging an ETF for cancellation of iPhone service. At a minimum, the ETF should be waived when presented with a customer request based upon (1) device failure (2) loss or theft of the device (3) inadequate wireless service/coverage or (4) any other reasonable basis.

Moreover, in connection with the settlement of an administrative proceeding with the California Public Utilities Commission (CITE), AT&T's predecessor entity, Cingular

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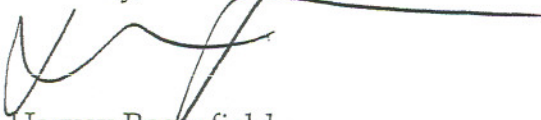
Wireless, has adopted a policy that permits customers to return a product for any reason within thirty days without incurring an early termination fee. However, we note that the iPhone return policy is limited to fourteen days, and permits a 10% restocking fee (i.e., \$49 to \$59) for return of an iPhone whose box has been opened. (AT&T's web site contains conflicting return information.) We see no reason why purchasers of these considerably more expensive devices should be denied the full thirty-day trial period without any form of penalty in the form of an early termination fee or a restocking fee. Surely neither of your companies wishes to punish customers for whom the product/service is unsatisfactory.

Finally, your companies should agree to accept iPhone returns and service deactivation without charge at any time after purchase until battery replacement disclosures stated above are fully implemented.

We wish you success in making the iPhone program one that meets and exceeds the needs and expectations of consumers in every respect, and look forward to your prompt response.

Thank you for your attention.

Sincerely,

A handwritten signature in black ink, appearing to read 'Harvey Rosenfield', with a long horizontal line extending to the right.

Harvey Rosenfield