

# **EXHIBIT A**

iPhone images

## Apple Reinvents the Phone with iPhone

MACWORLD SAN FRANCISCO—January 9, 2007—Apple® today introduced iPhone, combining three products—a revolutionary mobile phone, a widescreen iPod® with touch controls, and a breakthrough Internet communications device with desktop- class email, web browsing, searching and maps—into one small and lightweight handheld device. iPhone introduces an entirely new user interface based on a large multi- touch display and pioneering new software, letting users control iPhone with just their fingers. iPhone also ushers in an era of software power and sophistication never before seen in a mobile device, which completely redefines what users can do on their mobile phones.

“iPhone is a revolutionary and magical product that is literally five years ahead of any other mobile phone,” said Steve Jobs, Apple’s CEO. “We are all born with the ultimate pointing device—our fingers—and iPhone uses them to create the most revolutionary user interface since the mouse.”

### iPhone is a Revolutionary Mobile Phone

iPhone is a revolutionary new mobile phone that allows users to make calls by simply pointing at a name or number. iPhone syncs all of your contacts from your PC, Mac® or Internet service such as Yahoo!, so that you always have your full list of up- to- date contacts with you. In addition, you can easily construct a favorites list for your most frequently made calls, and easily merge calls together to create conference calls.

iPhone’s pioneering Visual Voicemail, an industry first, lets users look at a listing of their voicemails, decide which messages to listen to, then go directly to those messages without listening to the prior messages. Just like email, iPhone’s Visual Voicemail enables users to immediately randomly access those messages that interest them most.

iPhone includes an SMS application with a full QWERTY soft keyboard to easily send and receive SMS messages in multiple sessions. When users need to type, iPhone presents them with an elegant touch keyboard which is predictive to prevent and correct mistakes, making it much easier and more efficient to use than the small plastic keyboards on many smartphones. iPhone also includes a calendar application that allows calendars to be automatically synced with your PC or Mac.

iPhone features a 2 megapixel camera and a photo management application that is far beyond anything on a phone today. Users can browse their photo library, which can be easily synced from their PC or Mac, with just a flick of a finger and easily choose a photo for their wallpaper or to include in an email.

iPhone is a quad- band GSM phone which also features EDGE and Wi- Fi wireless technologies for data networking. Apple has chosen Cingular, the best and most popular carrier in the US with over 58 million subscribers, to be Apple’s exclusive carrier partner for iPhone in the US.

### iPhone is a Widescreen iPod

iPhone is a widescreen iPod with touch controls that lets music lovers “touch” their music by easily scrolling through entire lists of songs, artists, albums and playlists with just a flick of a finger. Album artwork is stunningly presented on iPhone’s large and vibrant display.

iPhone also features Cover Flow, Apple’s amazing way to browse your music library by album cover artwork, for the first time on an iPod. When navigating your music library on iPhone, you are automatically switched into Cover Flow by simply rotating iPhone into its landscape position.

iPhone’s stunning 3.5- inch widescreen display offers the ultimate way to watch TV shows and movies on a

pocketable device, with touch controls for play- pause, chapter forward- backward and volume. iPhone plays the same videos purchased from the online iTunes® Store that users enjoy watching on their computers and iPods, and will soon enjoy watching on their widescreen televisions using the new Apple TV™. The iTunes Store now offers over 350 television shows, over 250 feature films and over 5,000 music videos.

iPhone lets users enjoy all their iPod content, including music, audiobooks, audio podcasts, video podcasts, music videos, television shows and movies. iPhone syncs content from a user's iTunes library on their PC or Mac, and can play any music or video content they have purchased from the online iTunes store.

#### iPhone is a Breakthrough Internet Communications Device

iPhone features a rich HTML email client which fetches your email in the background from most POP3 or IMAP mail services and displays photos and graphics right along with the text. iPhone is fully multi- tasking, so you can be reading a web page while downloading your email in the background.

Yahoo! Mail, the world's largest email service with over 250 million users, is offering a new free "push" IMAP email service to all iPhone users that automatically pushes new email to a user's iPhone, and can be set up by simply entering your Yahoo! name and password. iPhone will also work with most industry standard IMAP and POP based email services, such as Microsoft Exchange, Apple .Mac Mail, AOL Mail, Google Gmail and most ISP mail services.

iPhone also features the most advanced and fun- to- use web browser on a portable device with a version of its award- winning Safari™ web browser for iPhone. Users can see any web page the way it was designed to be seen, and then easily zoom in to expand any section by simply tapping on iPhone's multi- touch display with their finger. Users can surf the web from just about anywhere over Wi- Fi or EDGE, and can automatically sync their bookmarks from their PC or Mac. iPhone's Safari web browser also includes built- in Google Search and Yahoo! Search so users can instantly search for information on their iPhone just like they do on their computer.

iPhone also includes Google Maps, featuring Google's groundbreaking maps service and iPhone's amazing maps application, offering the best maps experience by far on any pocket device. Users can view maps, satellite images, traffic information and get directions, all from iPhone's remarkable and easy- to- use touch interface.

#### iPhone's Advanced Sensors

iPhone employs advanced built- in sensors—an accelerometer, a proximity sensor and an ambient light sensor—that automatically enhance the user experience and extend battery life. iPhone's built- in accelerometer detects when the user has rotated the device from portrait to landscape, then automatically changes the contents of the display accordingly, with users immediately seeing the entire width of a web page, or a photo in its proper landscape aspect ratio.

iPhone's built- in proximity sensor detects when you lift iPhone to your ear and immediately turns off the display to save power and prevent inadvertent touches until iPhone is moved away. iPhone's built- in ambient light sensor automatically adjusts the display's brightness to the appropriate level for the current ambient light, thereby enhancing the user experience and saving power at the same time.

#### Pricing & Availability

iPhone will be available in the US in June 2007, Europe in late 2007, and Asia in 2008, in a 4GB model for \$499 (US) and an 8GB model for \$599 (US), and will work with either a PC or Mac. iPhone will be sold in the US through Apple's retail and online stores, and through Cingular's retail and online stores. Several iPhone accessories will also be available in June, including Apple's new remarkably compact Bluetooth headset.

iPhone includes support for quad- band GSM, EDGE, 802.11b/g Wi- Fi and Bluetooth 2.0 EDR wireless technologies.

iPhone requires a Mac with a USB 2.0 port, Mac OS® X v10.4.8 or later and iTunes 7; or a Windows PC with a USB 2.0

port and Windows 2000 (Service Pack 4), Windows XP Home or Professional (Service Pack 2). Internet access is required and a broadband connection is recommended. Apple and Cingular will announce service plans for iPhone before it begins shipping in June.

#### Learn More About iPhone

To learn more about iPhone, please visit [Apple.com](http://www.apple.com/iphone/keynote) or watch the video of the iPhone introduction at [www.apple.com/iphone/keynote](http://www.apple.com/iphone/keynote).

Apple ignited the personal computer revolution in the 1970s with the Apple II and reinvented the personal computer in the 1980s with the Macintosh. Today, Apple continues to lead the industry in innovation with its award-winning desktop and notebook computers, OS X operating system, and iLife and professional applications. Apple is also spearheading the digital music revolution with its iPod portable music players and iTunes online store.

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NOTE TO EDITORS: For additional information visit Apple's **PR website**, or call Apple's Media Helpline at (408) 974- 2042.

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## **EXHIBIT B**

# Apple Previews Developer Beta of iPhone OS 3.0

## Beta Release Provides New SDK, Over 1,000 APIs & 100 New Features

CUPERTINO, California—March 17, 2009—Apple® today previewed its iPhone™ OS 3.0 software and announced the immediate availability of a beta software release to registered developers. The iPhone OS 3.0 beta release includes an updated Software Development Kit (SDK) with over 1,000 new Application Programming Interfaces (APIs) including In-App Purchases; Peer-to-Peer connections; an app interface for accessories; access to the iPod® music library; a new Maps API and Push Notifications. Apple also announced over 100 new features that will be available to iPhone and iPod touch users this summer including cut, copy and paste; MMS;\* landscape view for Mail, Text and Notes; stereo Bluetooth; syncing Notes to the Mac® and PC; shake to shuffle; parental controls for TV shows, movies and apps from the App Store; and automatic login at Wi-Fi hot spots. The iPhone OS 3.0 beta release will also include a new Voice Memo app and expanded search capability for all key iPhone apps, as well as Spotlight™ search across the iPhone or iPod touch.

"The new iPhone OS 3.0 is a major software release packed with incredible new features and innovations for iPhone customers and developers alike. It will keep us years ahead of the competition," said Philip Schiller, Apple's senior vice president of Worldwide Product Marketing.

The iPhone OS 3.0 beta software and SDK include over 1,000 new APIs and are available today for all iPhone Developer Program members to use for development and testing of their apps for iPhone and iPod touch. Included in these APIs is the ability to leverage the incredible purchase model of the App Store within apps. In-App Purchases will allow developers to offer subscription content and provide the ability to sell new content and features in a simple and secure process. Developers can also more easily create peer-to-peer games for iPhone and iPod touch by using Bluetooth.

Another key developer feature in the iPhone OS 3.0 beta software is the ability for apps to interface with hardware accessories, creating a whole new element of control for iPhone and iPod touch accessory developers as well as a new ecosystem of solutions for customers. Developers will also be able to use Apple's new Maps API to integrate Google Mobile Maps services within their apps which will offer Google Map tiles, current location, custom annotations and geocoding. The iPhone OS 3.0 beta software includes the Apple Push Notification service which provides developers with a mechanism to alert users with sounds, text or a badge.

The new iPhone OS 3.0 software will be available to iPhone and iPod touch users this summer with over 100 new features including cut, copy and paste which can be done within or across applications; MMS to send and receive photos, contacts, audio files and locations with the Messages app; and the ability to capture and send audio recordings on the go with the new Voice Memo app. Landscape view will be available for Mail, Text and Notes. Search capabilities will be expanded, allowing customers to search within Mail, iPod and Notes or search across all key apps by typing a key word or phrase into the new Spotlight search, conveniently accessed from the Home screen.

The updated Stock app will add the ability to display recent company news and current trading information like opening or average price, trading volume or Market Cap, and will offer a landscape view to see a full screen of any stock chart. Customers will also be able to view shared calendars right on their iPhone with CalDAV support and sync their calendars with iCal®, Yahoo, Google and Oracle.

Today, the groundbreaking App Store has more than 25,000 applications available to consumers, and 15 more countries have been added so the App Store is now available in 77 countries, allowing developers to reach more than 30 million iPhone and iPod touch users around the world. Developers set the price for their applications and retain 70 percent of all sales revenue. Apple covers all credit card, web hosting and infrastructure costs associated

with offering applications on the App Store.

#### Pricing & Availability

The iPhone OS 3.0 beta software and SDK will be available for registered developers to download starting today from [developer.apple.com](http://developer.apple.com). iPhone customers will be able to download the new iPhone OS 3.0 software for free this summer and iPod touch customers will be able to purchase a software update for \$9.95 (US).\*\*

\*MMS messaging is available only on iPhone 3G; fees may apply. MMS may not be available in all areas.

\*\*Some features may not be supported by older hardware.

Apple ignited the personal computer revolution in the 1970s with the Apple II and reinvented the personal computer in the 1980s with the Macintosh. Today, Apple continues to lead the industry in innovation with its award-winning computers, OS X operating system and iLife and professional applications. Apple is also spearheading the digital media revolution with its iPod portable music and video players and iTunes online store, and has entered the mobile phone market with its revolutionary iPhone.

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# **EXHIBIT C**



**MORRISON | FOERSTER**

USDC Eastern La. – New Orleans Division  
Case No. 2:09-md-02116-CJB-JCW  
*In Re Apple iPhone 3G and 3GS "MMS"*  
*Marketing and Sales Practices Litigation*

Def. Apple Inc.'s Prevolos Dec. iso Apple's Mots. to Dismiss  
Exhibit C, Exhibit D, Exhibit H, and Exhibit I

Video files provided in two formats:  
.wmv - compatible with Windows Media Player  
.mov – compatible with QuickTime Player

## **EXHIBIT D**

**MORRISON | FOERSTER**

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Video files provided in two formats:  
.wmv - compatible with Windows Media Player  
.mov – compatible with QuickTime Player

# **EXHIBIT E**

iPhone 3GS images

# Apple Announces the New iPhone 3GS—The Fastest, Most Powerful iPhone Yet

iPhone 3G Now Available for \$99

SAN FRANCISCO—June 8, 2009—Apple® today introduced the new iPhone™ 3GS, the fastest, most powerful iPhone yet, packed with incredible new features including improved speed and performance—up to twice as fast as iPhone 3G—with longer battery life, a high- quality 3 megapixel autofocus camera, easy to use video recording and hands free voice control. iPhone 3GS includes the new iPhone OS 3.0, the world's most advanced mobile operating system with over 100 new features such as Cut, Copy and Paste, MMS\*, Spotlight Search, landscape keyboard and more. iPhone 3GS customers get access to more than 50,000 applications from Apple's revolutionary App Store, the largest application store in the world where customers have already downloaded over one billion apps. iPhone 3GS offers twice the capacity for the same price with a 16GB model for just \$199 and a new 32GB model for just \$299.\*\* And beginning today, iPhone 3G is available at the breakthrough price of just \$99 for the 8GB model—a huge milestone for the high end smartphone market.

“iPhone 3GS is the fastest, most powerful iPhone yet and we think people will love the incredible new features including autofocus camera, video recording and the freedom of voice control,” said Philip Schiller, Apple's senior vice president of WorldWide Product Marketing. “And with a breakthrough price of \$99, we are thrilled to get iPhone 3G into the hands of even more users who want them.”

iPhone 3GS offers incredible speed and performance, on average up to twice as fast as iPhone 3G, so you can render web pages quicker and launch applications faster. iPhone 3GS takes advantage of the OpenGL ES 2.0 standard for stunning high- quality 3D graphics, making mobile gaming and other graphic intense applications better than ever. iPhone 3GS is not only faster, but with longer battery life you can watch more videos, listen to more music, browse the Internet or keep using your favorite apps even longer. The new iPhone 3GS also supports 7.2 Mbps HSDPA for faster networking speeds.\*\*\*

iPhone 3GS features a new 3 megapixel autofocus camera that takes amazing pictures and video, making it easier than ever to capture, edit and share those moments instantly with family and friends. The new autofocus camera adjusts focus, exposure, color and contrast for the best possible image and includes an automatic macro focus for extra close up shots. With the new “tap to focus” feature, you simply touch the display to select an object or area of interest and the camera automatically re- adjusts focus and exposure. You can record incredible high- quality video clips and edit them right on your iPhone 3GS by simply trimming the start and stop points. With iPhone 3GS you can send photos and video by email or MMS and post them to MobileMe™ or YouTube with just one tap.

The voice control feature in iPhone 3GS offers hands free operation for both iPhone and iPod® functions. Simply speak the appropriate commands into the built- in microphone or headset microphone to dial by name or number. With voice control you can play your favorite music by artist, album or playlist and activate the Genius feature by saying “play more songs like this.” You can also tell iPhone to pause the music, play the next track, turn on shuffle or ask, “What's playing right now?”

iPhone 3GS features a new built- in digital compass for instant navigation.\*\*\*\* The Compass app shows you which way you are headed and rotates as you change direction. You can orient yourself to true north or magnetic north, and iPhone's built- in GPS automatically displays the coordinates of your current location. The new built- in digital compass is also integrated within Maps, so it automatically orients any map to the direction you are facing.

iPhone 3GS provides new accessibility features including VoiceOver, a screen reader that speaks what appears on the iPhone 3GS display, enabling visually impaired users to make calls, read email, browse web pages, play music and run applications. The new universal Zoom function magnifies the entire screen, and the White on Black feature reverses the colors on screen to provide higher contrast for people with low vision. iPhone 3GS also supports Mono Audio which combines left and right audio channels so that they can be heard in both earbuds for those with hearing loss in one ear.

iPhone 3GS includes the new iPhone OS 3.0 software with more than 100 new features including: Cut, Copy and Paste; MMS; Spotlight Search to search across iPhone or within Mail, Contacts, Calendar and iPod; landscape keyboard for Mail, Messages, Notes and Safari®; expanded parental controls for TV shows, movies and apps from the App Store; and the ability to capture and send audio recordings on the go with the new Voice Memo app. iPhone 3.0 software also includes a new Find My iPhone feature that works together with MobileMe so you can locate your lost iPhone on a map, send a message that will appear on the screen or play a sound to help you find it even if your phone is set to silent. If you cannot find your iPhone, you can erase all data and content on your iPhone with the new Remote Wipe feature. New iTunes® features available with iPhone 3.0 software include wirelessly downloading movies, TV and audio programs as well as iTunes U so students can download learning materials on the go.

iPhone 3GS gives users access to the revolutionary App Store, the largest application store in the world with more than 50,000 applications. The App Store allows developers to reach tens of millions of iPhone and iPod touch® users around the world. To date, customers have downloaded more than one billion apps from the App Store. And with more than 1,000 new APIs available with the iPhone SDK, developers can create even more innovative applications using In- App Purchases, a new Maps API and Push Notifications.

iPhone 3GS also features built-in Nike + iPod support making it an incredible workout companion. Users simply place the optional Nike + iPod sensor (\$19) in their Nike + shoe to seamlessly connect with iPhone 3GS to track miles run or sync with the latest generation gym equipment.

#### Pricing & Availability

iPhone 3GS will be available in the US on June 19 for a suggested retail price of \$199 (US) for the 16GB model and just \$299 (US) for the new 32GB model in both Apple and AT&T's retail and online stores, Best Buy and Wal-Mart stores. iPhone 3GS requires a new two year contract with AT&T for qualifying customers. iPhone OS 3.0 software will be available on June 17 as a free software update via iTunes 8.2 or later for all iPhone customers. iPod touch customers will be able to purchase a software update for \$9.95 (US). Beginning June 8, iPhone 3G will be available for just \$99 (US) for the 8GB model. New MobileMe features for iPhone require iPhone OS 3.0. MobileMe is available for an annual subscription price of \$99 (US).

iPhone 3GS will also be available in more than 80 countries in the coming weeks. For further information about US and international pricing and availability visit [www.apple.com/iphone](http://www.apple.com/iphone).

\*MMS messaging is available only on iPhone 3G or iPhone 3GS; fees may apply. MMS may not be available in all areas. MMS support from AT&T will be available in late summer.

\*\*Qualified customers only. Requires a new two year AT&T rate plan, sold separately.

\*\*\*Where available from AT&T later this year.

\*\*\*\*Compass reliability may be affected by usage conditions such as nearby magnetic fields.

Apple ignited the personal computer revolution in the 1970s with the Apple II and reinvented the personal computer in the 1980s with the Macintosh. Today, Apple continues to lead the industry in innovation with its award-winning computers, OS X operating system and iLife and professional applications. Apple is also

spearheading the digital media revolution with its iPod portable music and video players and iTunes online store, and has entered the mobile phone market with its revolutionary iPhone.

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**Exhibit F1: Manually filed**

Screenshot approximation of web page actual size  
(17" Screen)



## **EXHIBIT F**

#### iPhone 3GS

- Phone
- iPod
- Safari
- Mail
- Video Recording
- Photos
- Voice Control
- Messages
- Maps + Compass
- Keyboard
- Cut, Copy & Paste
- Search
- Voice Memos
- Accessibility
- Tethering
- App Store
- iTunes
- Home Screen

More Features

iPhone Technology

#### iPhone 3G

New features. New price. \$99\*  
[Learn more](#)

\*Qualified customers only.

Rotate to type using a larger keyboard



Tap a phone number to call it

Send photos, video, audio, and more

MMS support from AT&T coming in late summer.

## Messages

With a chat-style view and an intelligent Multi-Touch keyboard that predicts and suggests words as you type, iPhone texts smarter than any smartphone.



Sending SMS and MMS  
Watch the video

### Text like you talk.

Messages appear on your iPhone as an ongoing conversation, so it's easy to pick up where you left off. You can even forward one or more messages to others.

### Take suggestions.

The intelligent keyboard predicts and suggests words as you type. It also features a built-in dictionary and even learns words you use often.

How to type on the Multi-Touch keyboard



### Send MMS.

Take a photo or shoot some video, then send it via Messages. You can also send audio recordings from Voice Memos, contact information from Contacts, and locations from Maps.

How to send photos and video



Voice Control

Maps + Compass

### iPhone 3GS. A Guided Tour.

Watch the video.





### iPhone 3.0 Software Update

Already have an iPhone? Update it with new features, free.



### Intelligent Keyboard

Type fast and type accurately with the iPhone keyboard.



### Buy iPhone

Apple Online Store  
Get free shipping

Apple Retail Store  
Get free Personal Setup

Call 1-800-MY-APPLE (800-692-7753).  
Find your local authorized reseller.

\*MMS support from AT&T coming in late summer. MMS is not supported on first-generation iPhone.

Some features, applications, and services are not available in all areas. See your carrier for details.

Some applications are not available in all areas. Application availability and pricing are subject to change.

**Exhibit G1: Manually filed**

Screenshot approximation of web page actual size  
(17" Screen)

# **EXHIBIT G**

## 3.0 iPhone OS 3.0 Software Update

The free iPhone OS 3.0 Software Update includes some great new features, as well as all the features from previous updates. iPhone OS 3.0 also lets you run the next generation of iPhone apps, like peer-to-peer games<sup>1</sup> and more. If you've never updated before, now is the perfect time.

Updating is easy.

[Learn how](#)

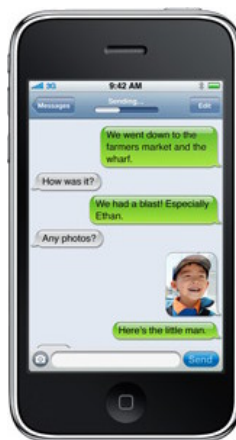


### Cut, Copy & Paste

Quickly and easily cut, copy, and paste text from application to application. Select entire blocks of web text with a tap. Copy and paste images from the web, too.

### Landscape Keyboard

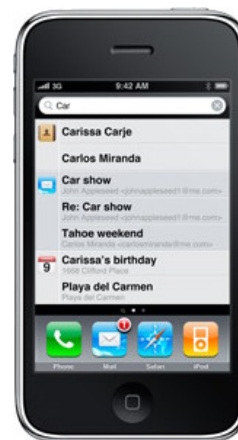
Want more room to type? Rotate iPhone to landscape to use a larger keyboard in Mail, Messages, Notes, and Safari.



### MMS

Send MMS messages and include photos, audio, and contact info.<sup>2</sup> Even tap to snap a picture right inside Messages.

MMS support from AT&T coming in late summer.



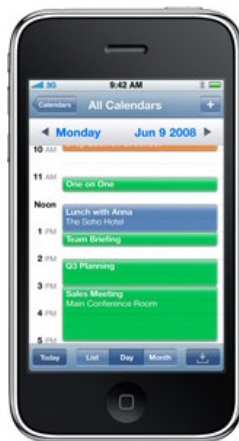
### Spotlight Search

Find what you're looking for across your iPhone, all from one place. Spotlight searches all of your contacts, email, calendars, and notes, as well as everything in your iPod.



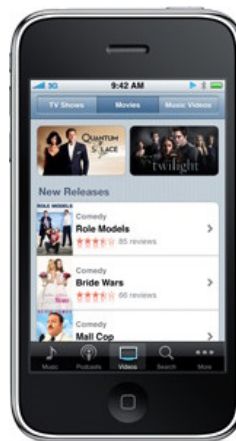
### Voice Memos

Capture a memo, a meeting, or any audio recording on the go. Voice Memos works with the built-in iPhone microphone or with the mic on your headset.



### Improved Calendar

Create meetings via Microsoft Exchange ActiveSync and subscribe to calendars with new CalDAV support.



### Buy Movies, TV Shows, and Audiobooks

Download movies, TV shows, music videos, and audiobooks from the iTunes Store on your iPhone.<sup>3</sup>



### Enhanced Stocks App

Get more at-a-glance information and view charts in landscape.



**Safari Improvements**  
Enjoy faster performance, autofill user names and passwords,



**Internet Tethering**  
Share your Internet connection with your laptop with Internet



**Stereo BLUETOOTH®**  
Connect compatible Bluetooth stereo headphones, car kits, or



**Automatic Wi-Fi Login**  
Log in to a Wi-Fi hotspot and iPhone automatically logs you in

and more.

tethering via Bluetooth or USB.

other accessories.

when you connect again.

4. Tethering is not currently offered in the U.S. and some other countries. See your carrier for availability.



#### Sync Notes

Never leave a note behind. Now you can sync all the notes you write on your iPhone back to your Mac or PC.



#### Parental Controls

Decide what music, videos, and apps your kids can access.



#### iTunes Store Account

Create and log in to one or more iTunes Store accounts directly from your iPhone.<sup>5</sup>



#### YouTube Login

Log in to your YouTube account to save and sync bookmarks and rate favorites.



#### Shake to Shuffle

Give iPhone a shake and it shuffles to a different song in your music library.



#### New Languages

iPhone supports 30 languages and more than 40 keyboard layouts.



#### MobileMe Find My iPhone and Remote Wipe

Find your iPhone if you lose it and protect your privacy with Remote Wipe.



#### Run the Latest Apps

Run the next generation of iPhone apps, like peer-to-peer games<sup>1</sup> and more.

### iPhone 3GS. A Guided Tour.

Watch the video.



### iPod touch 3.0 Software Update

Movies and TV shows on the Wi-Fi store, peer-to-peer gaming, and more.



### iPhone How-To

Get the most out of every iPhone feature with these helpful how-tos.



### Buy iPhone

Apple Online Store  
Get free shipping

Apple Retail Store  
Get free Personal Setup

Call 1-800-MY-APPLE (800-692-7753).  
Find your local authorized reseller.

1. Peer-to-peer connectivity requires compatible applications, which can be downloaded from the App Store when available.

2. MMS support from AT&T coming in late summer. MMS is not supported on first-generation iPhone. Sending video via MMS is not supported on iPhone 3G.

3. Downloads over 10MB require a Wi-Fi connection.

4. Tethering is not currently offered in the U.S. and some other countries. See your carrier for availability.

5. The iTunes Store is available only to persons age 13 or older in the U.S. and many other countries; see [www.apple.com/support/itunes/ww](http://www.apple.com/support/itunes/ww) for a list of countries. Requires compatible hardware and software and Internet access; fees may apply. Terms apply. See [www.apple.com/itunes/store](http://www.apple.com/itunes/store) for more information.

Available on iTunes. Title availability subject to change. Celebrity endorsement not implied.

Some features, applications, and services are not available in all areas. See your carrier for details.

Some applications are not available in all areas. Application availability and pricing are subject to change.

**Exhibit H1: Manually filed**

Screenshot approximation of video actual size  
(14" x 21" Screen)



# **EXHIBIT H**

**MORRISON | FOERSTER**

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Video files provided in two formats:  
.wmv - compatible with Windows Media Player  
.mov – compatible with QuickTime Player

**Exhibit I1: Manually filed**

Screenshot approximation of video actual size  
(19" Screen)

# **EXHIBIT I**

**MORRISON | FOERSTER**

USDC Eastern La. – New Orleans Division  
Case No. 2:09-md-02116-CJB-JCW  
*In Re Apple iPhone 3G and 3GS "MMS"*  
*Marketing and Sales Practices Litigation*

Def. Apple Inc.'s Prevolos Dec. iso Apple's Mots. to Dismiss  
Exhibit C, Exhibit D, Exhibit H, and Exhibit I

Video files provided in two formats:  
.wmv - compatible with Windows Media Player  
.mov – compatible with QuickTime Player

**Exhibit J1: Manually filed**

Screenshot approximation of web page actual size  
(17" Screen)


## **EXHIBIT J**

[Sending and Receiving Messages](#)[Sending Photos and Videos](#)[Sending Voice Memos](#)[Editing Conversations](#)[Using Contact Information a...](#)[Managing Previews and Alerts](#)


## Sending Photos and Videos

You can take a photo or make a video (iPhone 3G S only) from within Messages and include it in your conversation with another MMS-capable device.

### Send a photo or video:

Tap  and tap "Take Photo or Video" (iPhone 3G S only; on earlier models, tap "Take Photo") or "Choose Existing" and select an item from a photo album and tap Choose.

The limit to the file size of attachments is determined by your carrier. If necessary, iPhone may compress the photo or video. See Camera to learn about taking photos and video.

NOTE: The  button doesn't appear and you can't send photos or videos if MMS isn't supported by your carrier.

### iPhone 3G S. A Guided Tour.

Watch the video.



### iPhone 3.0 Software Update

Already have an iPhone? Update it with new features, free.



### Apps for iPhone

Explore applications that help you do more with iPhone.



### Buy iPhone

**Apple Online Store**

Get free shipping

**Apple Retail Store**

Get free Personal Setup

Call 1-800-MY-APPLE (800-692-7753).

Find your local authorized reseller.

MMS support from AT&T coming in late summer.

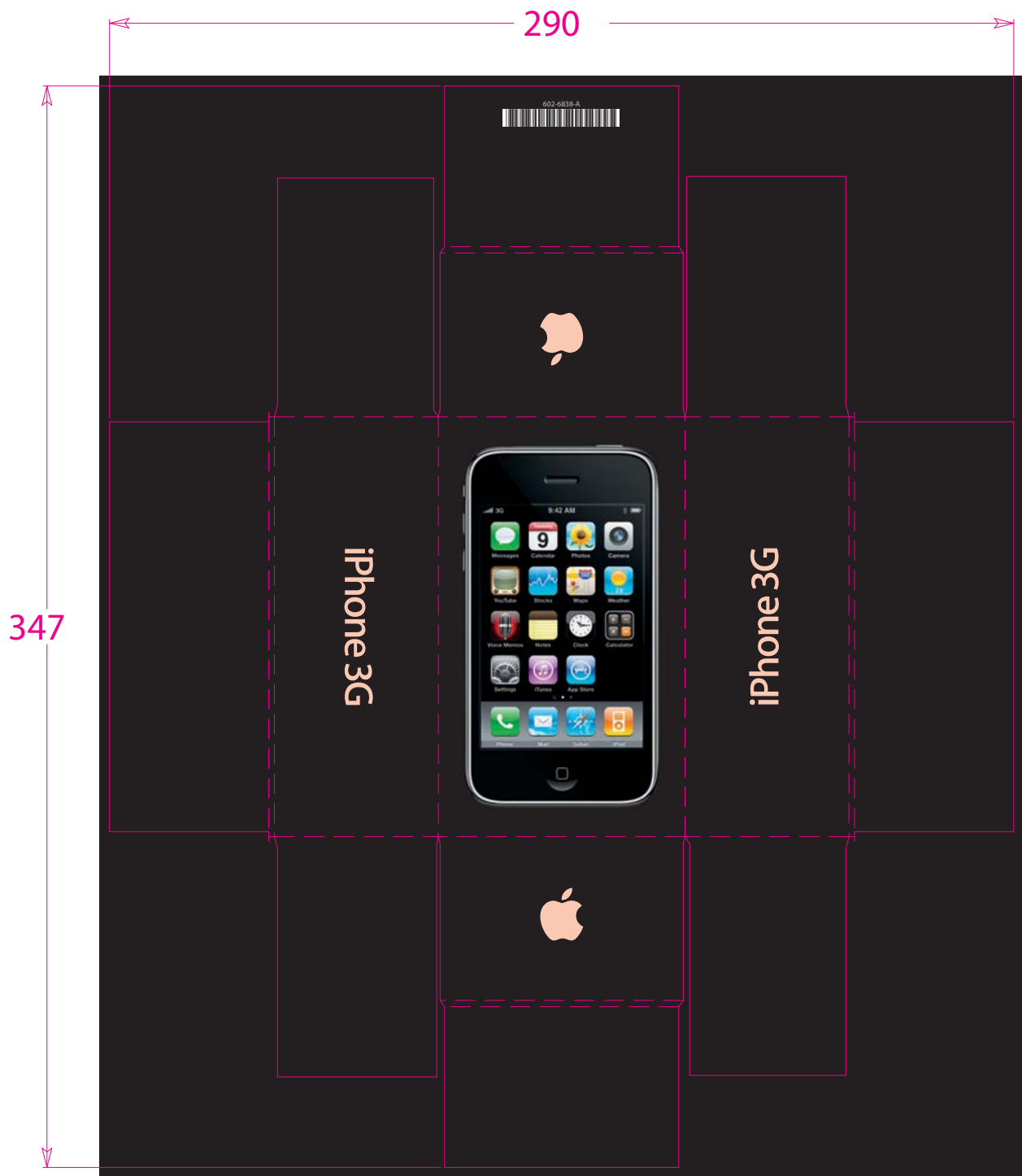
Tethering is not currently offered in the U.S. and some other countries. See your carrier for availability.

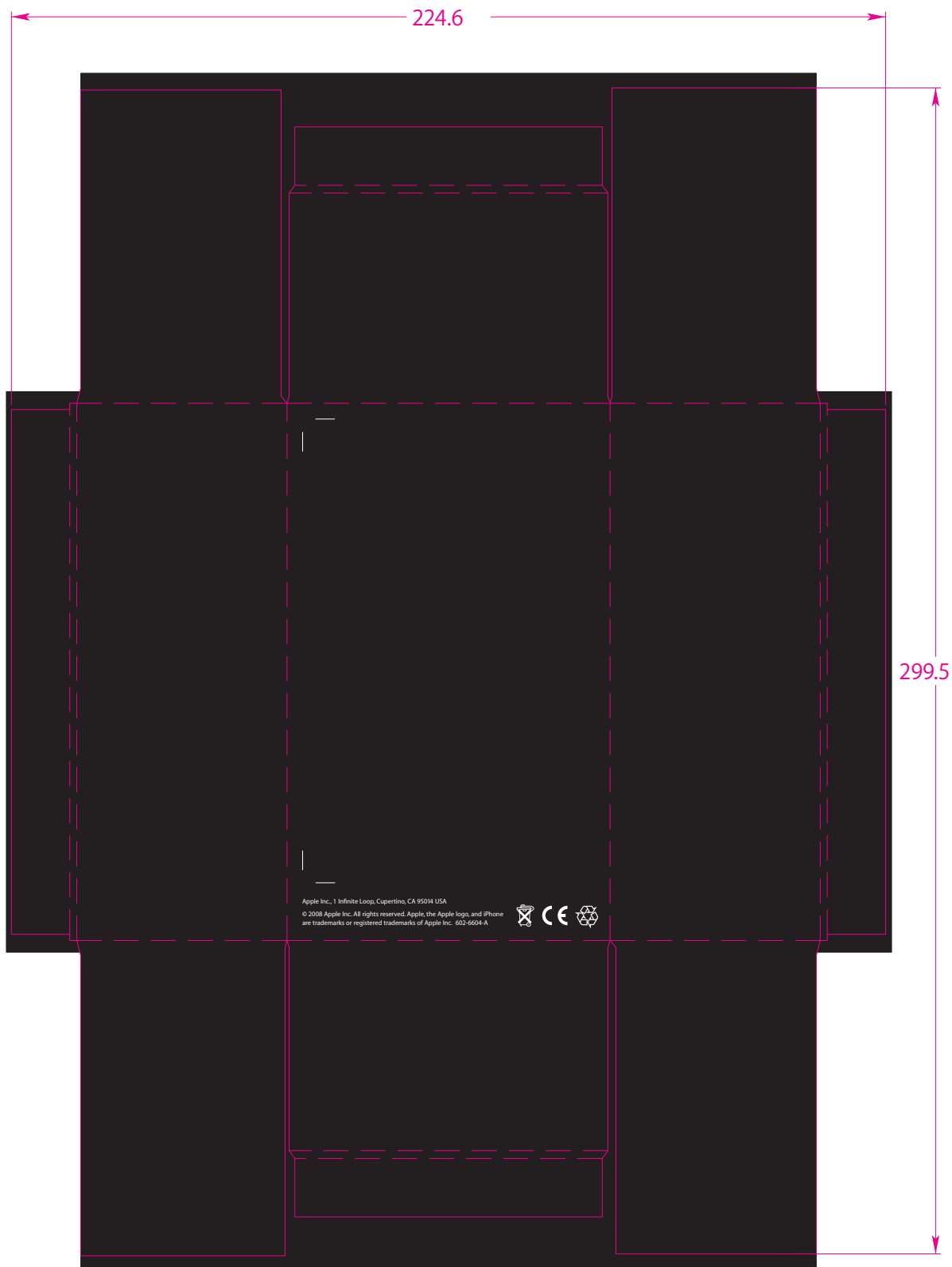
Some features, applications, and services are not available in all areas. See your carrier for details.

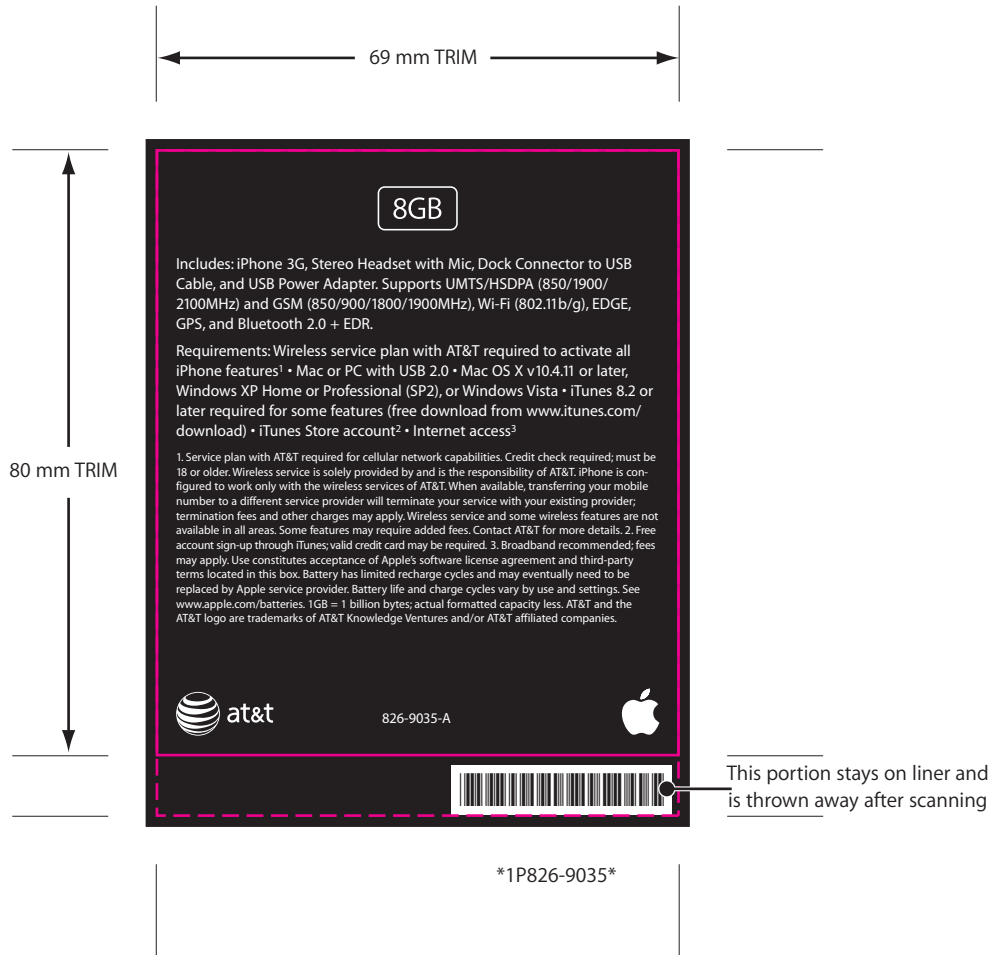
Some applications are not available in all areas. Application availability and pricing are subject to change.



## **EXHIBIT K**







# **EXHIBIT L**



## Conference Call Transcript

**AAPL - Q3 2009 Apple Inc. Earnings Conference Call**

**Event Date/Time: Jul 21, 2009 / 09:00PM GMT**



Jul 21, 2009 / 09:00PM GMT, AAPL - Q3 2009 Apple Inc. Earnings Conference Call

## CORPORATE PARTICIPANTS

**Nancy Paxton**

*Apple Inc. - Senior Director, IR*

**Peter Oppenheimer**

*Apple Inc. - VP Finance, CFO*

**Tim Cook**

*Apple Inc. - COO*

## CONFERENCE CALL PARTICIPANTS

**Gene Munster**

*Piper Jaffray - Analyst*

**Bill Fearnley**

*FTN Equity Capital. - Analyst*

**David Bailey**

*Goldman Sachs - Analyst*

**Richard Gardner**

*Citigroup - Analyst*

**Ben Reitzes**

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**Bill Shope**

*Credit Suisse - Analyst*

**Shannon Cross**

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**Toni Sacconaghi**

*Sanford Bernstein - Analyst*

**Mike Abramsky**

*RBC Capital Markets - Analyst*

**Andy Hargreaves**

*Pacific Crest - Analyst*

**Katy Huberty**

*Morgan Stanley - Analyst*

**Brian Marshall**

*Broadpoint AmTech - Analyst*

**Chris Whitmore**

*Deutsche Bank - Analyst*

**Charles Wolf**

*Needham & Co - Analyst*

## PRESENTATION

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### Operator

Good day, and welcome to the Apple Incorporated third quarter fiscal year 2009 earnings release conference call. Today's call is being recorded. At this time, for opening remarks and introductions, I would like to turn the call over to Ms. Nancy Paxton, Senior Director of Investor Relations. Please go ahead, ma'am.



Jul 21, 2009 / 09:00PM GMT, AAPL - Q3 2009 Apple Inc. Earnings Conference Call

**Nancy Paxton - Apple Inc. - Senior Director, IR**

Thank you. Good afternoon, and thanks to everyone for joining us. Speaking today is Apple's CFO Peter Oppenheimer, and he'll be joined by Apple's COO, Tim Cook and Treasurer Gary Wipfler for the Q&A session with analysts.

Please note that some of the information you will hear during our discussion today will consist of forward-looking statements including without limitation those regarding revenue, gross margin, operating expenses, other income and expense, stock-based compensation expense, taxes, earnings per share, and future products. Actual results or trends could differ materially from our forecast. For more information, please refer to the risk factors discussed in Apple's form 10-K for 2008. The forms 10-Q for the first two fiscal quarters of 2009, and the form 8-K filed with the SEC today and the attached press release. Apple assumes no obligation to update any forward-looking statements or information which speaks of the respective date.

And with that, I would like to turn the call over to Peter Oppenheimer.

**Peter Oppenheimer - Apple Inc. - VP Finance, CFO**

Thank you, Nancy. Thank you for joining us.

We are very pleased to report record June quarter revenue and earnings and to once again report the highest non-holiday quarter revenue and earnings in Apple's history. It was an extremely busy quarter for new product introductions and customers have responded enthusiastically. Revenue for the June quarter was \$8.34 billion, representing 12% growth over the prior June quarter's results. We are very proud of this result, particularly given the economic environment around us. Operating margin percentage for the quarter was over 20%, higher than our guidance, due to better than expected revenue and gross margin. Net income was \$1.23 billion, which translated to earnings per share of \$1.35.

In terms of non-GAAP measures, adjusted sales totaled \$9.7 billion for the June quarter, which was \$1.4 billion higher than our reported revenue. Adjusted gross margin was \$4 billion, which was \$1 billion higher than our reported gross margin. And adjusted net income was \$1.9 billion, \$700 million higher than our reported net income. We continue to believe that these non-GAAP financial measures provide added transparency to our business and hope they are helpful to you in your analysis and understanding of our performance.

Turning to the details of our results, I would like to begin with our Mac products and services. We generated outstanding sales of 2.6 million Macs, setting a new June quarter record, and nearly meeting the AI time quarterly record we set last September. Mac sales increased by more than 100,000 units over the prior year's June quarter. This represents 4% year-over-year growth, and compares favorably to IBC's latest published estimate of a 3% contraction for market overall. We followed up the transition of our entire desk top lineup in March, with significant updates to our entire portable lineup in the June quarter, delivering increased performance and value across the line.

Mac portable shipments increased 13% year-over-year, driven by continued strong growth in sales of MacBooks and our new MacBook pros. Customer response to the new portables have been very favorable and we saw an acceleration of sales following the launch. We began and ended the quarter with between 3 and 4 weeks of Mac channel inventory.

Now I'll turn to our music products. We sold 10.2 million iPods, which was down from 11 million in the year ago quarter. There were two key reasons for this decline: First, we reduced channel inventory by over 400,000. Second, sell-through declined by 4% year-over-year.

I would like to discuss how we're looking at this market. We have three categories of what we call pocket products. Traditional MP3 players, iPod Touch, and iPhone. For traditional MP3 players, which include shuffle, nano and classic, we saw a year-over-year decline, which we internally had forecasted to occur. This is one of the original reasons we developed the iPhone and the iPod Touch. We expect our traditional MP3 players to decline over time, as we cannibalize ourselves with the iPod Touch and the iPhone. However, we have a great business that we believe will last for many, many years, and which we will continue to manage well, and offer the world's most innovative products.

Despite the decline in our sales, our research shows that about 50% of our recent traditional iPod purchasers are buying their first iPod, including those in our high market share countries, such as the US, Japan, Australia, Canada, and the UK. The iPod Touch did extremely well in the quarter, growing more than 130% year-over-year. Customers continued to embrace this outstanding platform experience, which has been increasingly enhanced by the tremendous offerings of the App Store.





Jul 21, 2009 / 09:00PM GMT, AAPL - Q3 2009 Apple Inc. Earnings Conference Call

Our share of the US market continues to be over 70%, based on the latest monthly data published by NPD and iPod was the top selling MP3 player and continued to gain share year-over-year in nearly every country we tracked based on the latest data published by GFK. We began and ended the quarter within our target range of 4 to 6 weeks of iPod channel inventory.

I would now like to turn to the iPhone. We are thrilled to have sold over 5.2 million handsets in the June quarter, compared to 717,000 handsets sold in the year ago quarter. Response to the new iPhone 3G-S has been tremendous with over 1 million 3G-S handsets sold by the third day after its June 19th launch. We are currently unable to make enough iPhone 3G-S to meet demand and we're working to address. These customers and reviewers have been very impressed by its improved speed, 3-megapixel auto focus camera, video recording capability, and hands free voice control. The iPhone 3G-S is available in 18 countries today and we're quickly rolling it out this summer to the rest of the 80-plus countries where iPhones are sold.

Customers are loving the new iPhone OS 3.0 release which includes more than 100 new features including cut, copy and paste, MMF, spotlight search, a landscape keyboard for mail, and expanded parental controls for iTunes and App Store contents. The App Store now offers over 65,000 applications and the iPhone OS 3.0 software has helped pave the way for developers to create even more innovative applications with many new features, including in-App purchases, a new MAPS API, peer to peer connections around push notifications. Customer response to the App Store has been phenomenal and we were thrilled to announce the 1.5 billionth download last week. The App Store is a key strategic differentiator of the iPhone and iPod Touch experience, and we believe that outstanding software is the key ingredient for a great mobile experience.

Recognized revenue from iPhone handset sales, accessory sales, and carrier payments was \$1.69 billion during the quarter compared to \$419 million in the year ago quarter. An increase of over 300%. The sales volume iPhone sold during the quarter was \$2.9 billion.

Since we announced specific new features of iPhone OS 3.0 on March 17th, we did not begin to recognize revenue or product cost for any iPhone sold from March 17th until the iPhone OS 3.0 software became available on June 17th. For those iPhones, revenue and product costs are being recognized ratably, over the remaining terms of their respective 24-month estimated lives from June 17th forward. The iTunes store delivered another great quarter, fueled by strong sales of music, video and apps. With the introduction of the iPhone OS 3.0 last month, the iTunes experience keeps getting better. iPhone OS 3.0 software allows customers to wirelessly download movies, TV, and audio programs directly to an iPhone or an iPod Touch. And I'm pleased to report that as of last week, customers have purchased and downloaded over 8 billion songs from the iTunes store, yet another remarkable milestone.

I would like to now turn to the Apple retail stores. The stores recognized \$1.5 billion of revenue during the June quarter compared to \$1.45 billion in the year ago quarter. Our stores sold 492,000 Macs compared to 476,000 Macs in the year ago quarter. And about half the Macs sold in our stores during the June quarter were to customers who never owned a Mac before. We opened six new stores during the quarter, bringing us to 258 stores, and we also completed 27 store room models. With an average of 254 stores open during the quarter, average revenue per store was \$5.9 million compared to \$6.8 million in the year ago quarter. Retail segment margin was \$321 million or 21.5%, up from \$297 million or 20.6% in the year ago quarter.

We hosted 38.6 million visitors in our stores during the quarter, compared to 31.7 million visitors in the year-ago quarter. An increase of 22%. We successfully launched a new and improved one-to-one program and hosted a record 667,000 personal training sessions during the quarter. We remain on track to open a total of about 25 stores during fiscal 2009 and to complete the remodel of 100 stores to our new design. We are also looking forward to opening our first store in France during the holiday quarter.

Total company gross margin was 36.3%, which was 330 basis points better than our guidance. This difference was primarily driven by three factors: First, component cost did increase, but not to the level we had expected. Second, we spent less than we had expected in several operating areas, including warranty and manufacturing tools. And, third, we efficiently ramped our new products in the quarter, spending less than we had planned. Additionally, and to a lesser extent, we benefited from a weaker US dollar and from leverage on higher revenue than we planned. Operating expenses were \$1.35 billion, consistent with our guidance and included \$151 million of stock base compensation expense. OI&E was \$60 million and the tax rate for the quarter was 29%.

Turning to cash, our cash plus short-term to long-term marketable securities totaled \$31.1 billion at the end of the June quarter, compared to \$28.9 billion at the end of the March quarter, an increase of over \$2.2 billion. Cash flow from operations in the June quarter was \$2.3 billion. Our investment priority for the cash continues to be preservation of capital, which has served us well in the current environment. We are continuing to focus on short dated high quality investments and remain comfortable with our investment portfolio. And while it is not reflected in our June quarter results, in the first week of the September quarter, we made a \$500 million prepayment to Toshiba for future supply of NAND flash.



Jul 21, 2009 / 09:00PM GMT, AAPL - Q3 2009 Apple Inc. Earnings Conference Call

Looking ahead to the September quarter, I would like to review our outlook, which includes the types of forward-looking statement that Nancy referred to at the beginning of the call. We will continue our practice of providing guidance based on GAAP and report our September quarter non-GAAP financial measures to you in October when we release our results.

Forecasting in the current macro environment remains challenging, so we will continue to provide a range of guidance for the September quarter. We expect revenues to be between \$8.7 billion and \$8.9 billion. We expect gross margin to be about 34%, reflecting approximately \$28 million related to stock-based compensation expense. We expect OpEx to be about \$1.445 billion, including \$150 million related to stock base compensation. We expect OI&E to be about \$30 million, reflective of the short-term interest rate environment, and we expect the tax rate to be about 30%. We are targeting EPS in the range of about \$1.18 to \$1.23.

In closing, we are thrilled to report record June quarter results and with customers reception of our new portables, iPhone OS 3.0, and the iPhone 3G-S. We are very enthusiastic about the upcoming launch Snow Leopard and the enhanced performance and user experience that we'll offer to our Mac customers. We remain confident in our strategy, and new product pipeline, and we're working hard to continue to deliver the industry's most exciting and innovative products. With that, I would like to open the call for questions.

## QUESTION AND ANSWER

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### Operator

(Operator Instructions). And your first question will come from Gene Munster with Piper Jaffray.

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### Gene Munster - Piper Jaffray - Analyst

Congratulations. Two brief questions. First on the Mac side, judging by the product lead times, the demand for the new lower price MacBook Pro caught you off guard. How do you see that demand turning to the September quarter? And second can you talk from a high level of how you see the relationship of the wireless carriers involving.

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### Tim Cook - Apple Inc. - COO

Hey, Gene. It's Tim. In terms of the MacBook Pro, there are a couple of models that I believe we will get beyond in this the next few weeks. We don't view it as a constraint. It had a material effect on last quarter, and we factored our view of supply in the guidance that Peter shared with you. In terms of the relationship with the wireless carriers, I think that most of the carriers that we're doing business with are thrilled over the lower churn that they experience and the higher ARPU's and the customers are demanding the iPhone. So I feel like we've got a very good set of relationships and are obviously continuing to look to expand those.

---

### Gene Munster - Piper Jaffray - Analyst

Okay. Maybe to ask it more specifically, do you see an opportunity beyond the iPhone with the carrier, for example, AT&T with data plans and laptops, or AT&T's living room initiative with Uverse offering.

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### Tim Cook - Apple Inc. - COO

We have nothing to announce today in terms of other things with the carriers. We're very focused on working with the carriers on iPhone.

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### Gene Munster - Piper Jaffray - Analyst

Okay. And then I guess on AT&T, any update on the status of that relationship?

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### Tim Cook - Apple Inc. - COO



Jul 21, 2009 / 09:00PM GMT, AAPL - Q3 2009 Apple Inc. Earnings Conference Call

I think it's an excellent relationship and we're very happy with it.

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**Gene Munster - Piper Jaffray - Analyst**

Great. Thank you.

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**Nancy Paxton - Apple Inc. - Senior Director, IR**

Thanks, Gene. Can we have the next question please.

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**Operator**

It will come with Bill Fearnley with FTN Equity Capital.

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**Bill Fearnley - FTN Equity Capital. - Analyst**

Yes, thanks. If I could, on the mix here, when you look at consumer spending and you look at K-12 and state and local government in the pro segment in the quarter, is there any detail you can give on the education on the pro segment and then I have a quick follow-up.

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**Tim Cook - Apple Inc. - COO**

Sure, Bill. It's Tim. Relative to the market, the consumer market performed relatively better for us. The US K12 institutional business is weak, as you might expect. It is getting hit by budget shortfalls. And last quarter we saw very negligible amounts, if any, of the stimulus funds flow all the way to the state and district levels to get set. And so that may or may not occur this quarter. In the pro business, the pro business has also been affected more by the economy than the consumer businesses. And you can see that some in our ASPs as people that were buying those that were in commercial accounts and small business accounts are delaying purchases.

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**Bill Fearnley - FTN Equity Capital. - Analyst**

Tim, you've talked about higher ed growth and K-12 institutional growth before. Can you give us those numbers for this quarter.

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**Tim Cook - Apple Inc. - COO**

Overall, we were negative 6% in the institutional business. The K-12 business was more negative than that and the higher ed business was around the 0% level.

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**Bill Fearnley - FTN Equity Capital. - Analyst**

Okay. And then one other, if I could. In terms of preliminary view after the price changes on mix with the older MacBook, the \$999 and then the newer form factor, any additional details you can give us on the first 30 days of what you saw about mix shift with the price changes?

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**Tim Cook - Apple Inc. - COO**

Generally, as you can see from the data sheet that you've got, our units grew faster than our revenue in the portable area. So ASP did fall some. And one of the reasons is the price cuts that we took. Another is the transitional cost of doing that. What was a major transition of replacing the whole lineup basically in a day. So we are seeing a mix down versus historic. And we think part of that is that the commercial customer who is buying up in the line is delaying purchases in this weak economy. Of course we're thrilled with our overall results. To grow 4% with IDC full



Jul 21, 2009 / 09:00PM GMT, AAPL - Q3 2009 Apple Inc. Earnings Conference Call

testing at negative three and Gartner forecasting a negative five, that puts us 7-9 points ahead of the market. And we're thrilled with those performance numbers.

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**Bill Fearnley - FTN Equity Capital - Analyst**

Thank you.

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**Nancy Paxton - Apple Inc. - Senior Director, IR**

Thanks, Bill. Can we have the next question please?

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**Operator**

From Goldman Sachs we'll hear from David Bailey.

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**David Bailey - Goldman Sachs - Analyst**

Thanks a lot. I know you don't break out the SKUs of the iPhone explicitly. Can you give us some idea of how the \$99 iPhone is doing relative to the other price points and have you seen a mix from launch either away from or towards the lower end phone?

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**Tim Cook - Apple Inc. - COO**

There is two pieces of information I can give you, David. One is that as we made the changes, the two changes, both the launch of the 3G-S and the price reduction of the 3G, we saw significant acceleration in total unit sales. I don't want to give you the precise mix, because we view that as competitive data and obviously want to hold that tight. As Peter alluded to in his opening comments, the iPhone 3G-S is constrained in virtually every country we're shipping it in. So the demand has been very robust. I think it speaks to the great product that it is and we're working very hard to fill that demand.

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**David Bailey - Goldman Sachs - Analyst**

Great. And then just a follow-up on that. Can you give us an update on the progress you've made in large enterprise accounts with the iPhone and how you look at that opportunity over the next year.

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**Tim Cook - Apple Inc. - COO**

I think it's a great opportunity for us. And as you might guess, we're seeing growing interest with the release of the 3G-S and iPhone OS 3.0. Due to the hardware encryption and the improved securities policies. The phone is particularly doing well with small business and with large organizations that allow people to purchase the phones for individual use. And this is both in corporate and government settings.

Specifically to give you some numbers, almost 20% of the Fortune 100 have purchased at least 10,000 units or more. And there is now multiple corporations and government agencies who have purchased an excess of 25,000 each. We also had the iPhone approved in over 300 higher education institutions. And so we feel really good about how we're doing. And you may have noticed, also, that the most recent study by JD Powers has ranked the iPhone the highest in overall satisfaction with business customers. And so we think that we're just at the tip of the iceberg in terms of what the iPhone can do with business customers.

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**David Bailey - Goldman Sachs - Analyst**

Great. Thanks a lot.



Jul 21, 2009 / 09:00PM GMT, AAPL - Q3 2009 Apple Inc. Earnings Conference Call

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**Nancy Paxton - Apple Inc. - Senior Director, IR**

Thank you.

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**Tim Cook - Apple Inc. - COO**

Thanks, David.

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**Nancy Paxton - Apple Inc. - Senior Director, IR**

Thank you, David. Can we have the next question, please?

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**Operator**

And moving on, we'll hear from Richard Gardner with Citigroup.

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**Richard Gardner - Citigroup - Analyst**

Hi. Thanks. Peter, I was just wondering regarding your revenue guidance, you're guiding up roughly 4 to 7% sequentially. But you've got a couple hundred million of iPhone deferred revenue coming off the balance sheet, and obviously you're doing very well with the new products. So I was wondering why you're guiding generally in line with last year's increase and maybe a little bit below what we would consider normal seasonality for the September quarter. Thanks.

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**Peter Oppenheimer - Apple Inc. - VP Finance, CFO**

Okay. Rich, we give you guidance that we have reasonable confidence in achieving. So no change in our thinking. Let me talk a little bit about Mac and iPod and iPhone. For Mac, while we usually see an increase in Mac units from the June to September quarters, and we expect to see one this year, we would expect the sequential increase to be less than previous years since we refreshed every portable last quarter and the desktops in the March quarter making the comparison up sequentially tougher for us. Additionally, as Tim just commented, the US education institution sales remain under pressure from budget shortfalls.

With regard to iPod similar to June, we would expect the traditional MP3 players to decline year-over-year. But iPod Touch to grow significantly. And for phone, last year we sold very few phones in the June quarter after the results of the July transition and 7 million in September, which included 2 million units of channel fill. This year, we introduced iPhone 3 GS in June selling 5.2 million in the quarter.

And in terms of assessing how we'll do, going from June to September, we're very optimistic about the product. It's off to a great start. But we just don't have any experience in this seasonality with distribution as wide as we've got it. So we'll report to you in October how we did.

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**Richard Gardner - Citigroup - Analyst**

Thanks, Peter.

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**Nancy Paxton - Apple Inc. - Senior Director, IR**

Thanks, Rich. Can we have the next question please?

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**Operator**

From Barclays, we'll hear from Ben Reitzes.



Jul 21, 2009 / 09:00PM GMT, AAPL - Q3 2009 Apple Inc. Earnings Conference Call

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**Ben Reitzes - Barclays Capital - Analyst**

Peter, can you talk about gross margins. You've obviously the last two quarters handily exceeded any of your expectations in guiding above. At one point you said 30% for September and now we're at 34. And does that mean that the long-term estimate of 30% no longer holds, and that we should probably model something at least higher than 30 due to maybe better execution or something in your business model that's changed?

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**Tim Cook - Apple Inc. - COO**

The teams are executing phenomenally well. So that's something that we're very proud of. And I think the results have benefited from that. Regarding gross margins for the September quarter, we've had a chance to go through our complete process and I'm guiding to 34% for the September quarter, which is down from the 36% that we just reported. We expect the margins to decline sequentially as a result of a full quarter of back to school promotion. And full quarter of our new portables and also higher component cost.

I don't want to make comments today about future quarters, but I'll give you a couple things that are on our mind. First, for many key components, costs are rising and you're seeing that in the market as well. And, secondly, we will continue to focus on delivering state of the art products at price points that our competitors can't match, and we are going to provide customers ever increasing volume. And so as you think about quarters beyond September, I would urge you to consider those factors.

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**Ben Reitzes - Barclays Capital - Analyst**

Okay. Thanks. And with regard to the surge at the end of the quarter of iPhones, 5.2 million and you're constrained on the 3G-S, what is the inventory situation like? I mean, you were running at over a million, I believe, Tim. And how did you end the quarter on inventory and how does the demand look heading into the next one?

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**Tim Cook - Apple Inc. - COO**

The iPhone channel inventory was flat sequentially, so it was approximately the same number from the beginning of the quarter and at the end of the quarter. And what that means, obviously, is since we were selling a lot more units at the end that we do not have a channel loaded with the numbered units that we would like at this time. And can you see that in terms of stock out on the 3G-S.

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**Ben Reitzes - Barclays Capital - Analyst**

What is that unit number, and then I'll cede the floor here.

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**Tim Cook - Apple Inc. - COO**

The unit number.

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**Ben Reitzes - Barclays Capital - Analyst**

Of inventory?

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**Tim Cook - Apple Inc. - COO**

Consistent with what I said before. You can do the math. But it's about 1.83 million . Just slightly

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**Ben Reitzes - Barclays Capital - Analyst**

Thanks a lot, Tim.



Jul 21, 2009 / 09:00PM GMT, AAPL - Q3 2009 Apple Inc. Earnings Conference Call

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**Tim Cook - Apple Inc. - COO**

That includes in transit that we invoiced and demos we've counted in a conservative manner.

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**Nancy Paxton - Apple Inc. - Senior Director, IR**

Thank you, Ben. Can we have the next question, please?

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**Operator**

It will come from Bill Shope with Credit Suisse.

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**Bill Shope - Credit Suisse - Analyst**

Okay, great thanks, guys. Looking at the response you've seen on the \$999 MacBook and the more recent MacBook Pro price cuts, can you comment on whether the Mac business is more or less elastic than you previously anticipated, and perhaps give us an idea of how you're thinking about elasticity in this business over the longer term?

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**Tim Cook - Apple Inc. - COO**

We're obviously thrilled with the results that we've had since we've done the portable announcement. Mac sales did accelerate after the announcement, WWDC and shipment of the portables, and we feel great about how they're selling. As we expected, there's some number of people that are buying up, because they can now get a MacBook Pro for \$1199, whereas, it wasn't too many months ago that to buy a MacBook Pro it would cost \$1999, so we've made a significant change there. So we're not thinking fundamentally different about the Mac business than we were before. Our goal has been and continues to be to build the best computers in the world. And when we can do that at lower prices, we do that. When we can't, we won't put the Apple brand on a product that doesn't stand for innovation and doesn't have the legendary ease of use that we're known for.

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**Bill Shope - Credit Suisse - Analyst**

Any chance you can give us some quantitative color on the gross margin EPS impact from the delayed iPhone recognition in the June quarter?

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**Peter Oppenheimer - Apple Inc. - VP Finance, CFO**

Sorry. I can't do anything specifically. You can make an estimate of what the revenues might have been now that you know the June quarter sales. And you can take a shot at the related gross margin.

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**Bill Shope - Credit Suisse - Analyst**

Okay. Great. We'll do that. Thanks .

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**Nancy Paxton - Apple Inc. - Senior Director, IR**

Thanks, Bill. Could we have the next question, please?

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**Operator**

From Cross Research, we'll hear from Shannon Cross.



Jul 21, 2009 / 09:00PM GMT, AAPL - Q3 2009 Apple Inc. Earnings Conference Call

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**Shannon Cross - Cross Research - Analyst**

Thank you. Good afternoon. Could you give us an update on Snow Leopard and how we should think about the \$29 price point. I'm kind of curious as to what throws the decision to go so low and how are you thinking about potential adoption rates.

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**Tim Cook - Apple Inc. - COO**

Yes. It's Tim. Snow Leopard is an even better Leopard. It redefines about 90% of the projects that make up OS X and it includes a lot of powerful new core technologies and builds Microsoft Exchange support right into the OS which is something that even Windows PC does not do. We priced it very aggressively so that all of our users can upgrade to it. And we're hoping that they do that. As we announced at WWDC, we continue to expect to ship it later this quarter.

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**Shannon Cross - Cross Research - Analyst**

Okay. Great. And then just a follow-up on the commodities. I'm just curious as to which ones you expect to be sort of challenging going forward and how should we think about the prebuy with Toshiba and should we continue to expect additional prebuys depending on what you think in terms of what you think of inventory and demand and pricing.

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**Tim Cook - Apple Inc. - COO**

In terms of going forward, the market for DRAM and the market for large-size LCDs has shifted to a constrained environment. And the pricing has moved accordingly. The NAND market has now begun to stabilize and we expect it to move towards a supply/demand balance. Hard drives and optical drives and pricing is declining at less than historical rates as a result of in terms of the Toshiba pre buy, we did a long-term agreement with Toshiba. As part of the terms and conditions, we paid them \$500 million as a prepay earlier in the quarter as Peter had said. We view flash as a very key component for us, because as you know, we use it in so many of our products. And also, we're a reasonable percentage of the user of flash on a worldwide basis.

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**Shannon Cross - Cross Research - Analyst**

In terms of doing additional deals, we are always open to doing additional deals with the right terms and conditions. And as you know, we've done two in this fiscal year. We announced one with LG earlier on LCD. And we may do others but there's not one that we're currently working on. But I don't close that door because we are always looking at different things. Great. Thank you very much.

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**Tim Cook - Apple Inc. - COO**

Thanks, Shannon.

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**Nancy Paxton - Apple Inc. - Senior Director, IR**

Thank you, Shannon. Could we have the next question, please?

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**Operator**

We'll hear from Toni Sacconaghi with Sanford Bernstein.

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**Toni Sacconaghi - Sanford Bernstein - Analyst**

Thank you. I think last quarter you had commented that the percentage of \$999 Macs had increased sequentially. Can you comment on this quarter? It sounds like there was a mix shift to the low end because of continued economic uncertainty, yet you lowered Mac prices which was --





Jul 21, 2009 / 09:00PM GMT, AAPL - Q3 2009 Apple Inc. Earnings Conference Call

excuse me, MacBook Pro prices which was stimulative on the Pro. So to give us a sense on how consumers netted out, was your \$999 offering a bigger percentage of total Mac notebooks this quarter than it was last quarter and can you give us a little more color on the dynamics?

**Tim Cook - Apple Inc. - COO**

Toni, I don't want to give you exact mix numbers for competitive reasons, but let me share with you at a macro point what we saw happening last quarter. After the transition, not our non-education business, we saw people upselling from the \$999 to the \$1199 MacBook pro. Obviously for \$200, it's a significant amount of features and so we saw that occurring last quarter. Before the transition, we saw a mix that was larger than after it to the \$999. But we did see that change at the developers conference. Education itself, when you carve education itself out, the bulk of what K-12 would be would be the lower price unit. And we sell it for even lower prices than the consumer price obviously.

**Toni Sacconaghi - Sanford Bernstein - Analyst**

And then can you comment on the dynamics on the iPhone side. It sounds like the lower price point of the \$99 3-G phone actually served perhaps more as a traffic driver for the 3G-S phone than would anticipated. Was that the role or the product itself a meaningful contributor to the iPhone story?

**Tim Cook - Apple Inc. - COO**

We're happy -- we're focused on total iPhone units, Toni. And so we're very happy when the total comes out to the 52 number and we're thrilled over it. I think it's too early to tell what the ultimate mix of those products will be. Because as you know, the iPhone 3G-S is constrained and also it's only shipping in 18 countries of the 80 plus that we're in. And so I think it will take some amount of time. Also there's a phenomenon at the beginning of purchasing where you have people upgrading. And those people that upgrade are obviously more likely to select the new phone. And so it's only been a few weeks, and I wouldn't want to make any grand statements about what things will happen in the longer term.

**Toni Sacconaghi - Sanford Bernstein - Analyst**

And then one for Peter. Peter, I think your sequential gross margin guidance in terms of the sequential decline is actually more benign than you have guided for in each of the last two years, which is surprising to me because the component environment, I think, is tougher than it's been in either the last two years. Your back-to-school promotions in terms of geographic breadth are considerably larger and you have notebook price cuts which you didn't have in any of the previous fiscal Q4. So is the offset in terms of guiding to a lower gross margin sequential decline, is that all iPhone related, or are there other considerations relative to previous years that we ought to be thinking about?

**Peter Oppenheimer - Apple Inc. - VP Finance, CFO**

Toni, it's always hard to talk about gross margin year-over-year, because you're typically in different product cycles and you have different component environments and currencies can be different and mixes and a variety of things. So it's hard. We are benefiting from a higher mix of iPhone revenues. And that is beneficial to our gross margin. So as I think about this year versus last, sure, that is a factor. But as we put our guidance together for the September quarter, we've gone through our normal process and we thought about supply. We thought about demand. And it resulted in the 34% that we've provided you.

**Toni Sacconaghi - Sanford Bernstein - Analyst**

And then final question, you mentioned you lowered channel inventory on iPods about 400,000 units. Should we be thinking about the reduction in channel inventory being somewhat consistent as a percentage of what you anticipate for reduced iPhone sales in the following quarter or otherwise, why would you have taken it down by that amount?

**Tim Cook - Apple Inc. - COO**

Toni, if you look at the over 400K that we reduced it by, there were two primary reasons. The first reason was that as you may remember in March we announced and launched a new Shuffle very close to the end of the quarter. And also the Easter holiday was at the beginning of the



Jul 21, 2009 / 09:00PM GMT, AAPL - Q3 2009 Apple Inc. Earnings Conference Call

June quarter. And so to support both of these, we ended March with a bit more inventory. Although still within the target range of 4 to 6 weeks. With these events behind us, we were able to reduce channel inventory. And this accounted for about half of the over 400,000 unit reduction.

The second reason is the overall demand was lower. And we believe that this is due to the weak economy. Cannibalization from iPhone. And a reduction in the market size for traditional MP3 players. As you heard Peter's definition for this, we call traditional MP3 players, the Shuffle, the Nano and the Classic. And as a result of this, we adjusted channel inventories to correspond with the lower demand. And this accounted for the balance of the over 400,000 unit reduction.

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**Toni Sacconaghi - Sanford Bernstein - Analyst**

But as a reminder, I don't want to overstate this, but we began and ended the quarter within our target range of 4 to 6 weeks. And so we're staying within the realm that we have forever set as a target.

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**Tim Cook - Apple Inc. - COO**

Thank you.

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**Nancy Paxton - Apple Inc. - Senior Director, IR**

Thanks. Thank you, Toni. Can we have the next question, please.

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**Operator**

We'll hear from Mike Abramsky with RBC Capital Markets.

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**Mike Abramsky - RBC Capital Markets - Analyst**

Thanks very much. Tim, there are competitors that are unveiling application stores now and media and touch features via software. Can you just talk about maybe the dimensions along which you see continuing to out innovate competitor user experiences and maintain iPhone momentum and share leadership?

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**Tim Cook - Apple Inc. - COO**

Sure, Mike. I don't want to talk very much about what we have planned in the future. But if I just sort of summarize just what's happened in the last 90 days, we've just shipped the next major version of the world's most advanced mobile software platform with iPhone 3.0. And the App Store is now available in 77 countries. And reaches and installed base that is now more than 45 million. That's the sum of iPhone plus iPod Touch.

The App Store, I think, by any measure has been an unprecedented success with over 65,000 apps now in the store. And over 1.5 billion Apps downloaded. As you may remember, as you look at the App number, over 65,000 from the store, that compares to the latest numbers we have for RIM and Nokia that puts them at 1 and 2,000 each. And the latest published number we've seen on android puts it less than 5,000. And so we feel like we have a substantial lead on apps for the phone, on software for the phone and we think we have brought a great deal of hardware innovation for the phone as well. And so we feel extremely good about our competitive position and continue to believe that we're years ahead of other people.

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**Mike Abramsky - RBC Capital Markets - Analyst**

Okay. Thanks. And do you see additional distribution and pricing models important to sustain either your growth in market share gains in iPhone and do you think you can sustain growth based on the current strategies?



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**Jul 21, 2009 / 09:00PM GMT, AAPL - Q3 2009 Apple Inc. Earnings Conference Call**

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**Tim Cook - Apple Inc. - COO**

Well, I think we just took a major change with the introduction of a \$99 product. And so the reason we did that was obviously because we knew there was elasticity there. In regards to your other question, we are working very hard to continue expanding distribution both within countries that we're in where it makes sense to do so and to add new countries because the world has more than 80 countries in it. And so we're looking at both of those and we recognize there are some large markets left uncovered currently.

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**Mike Abramsky - RBC Capital Markets - Analyst**

Okay. Thanks. And then now, just lastly, does the positive response to the Mac price cuts provide you some pause regarding the opportunity that you might have for similar momentum for lower priced entry level PCs? In other words, do you still feel that the lower price PC category is perhaps not attractive versus your business model? I may not be exactly paraphrasing what you said the last time but along

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**Tim Cook - Apple Inc. - COO**

Mike, I would say it differently really. And maybe I haven't expressed it well. Our goal is not the build the computers, it's to build the best. And whatever price point we can build the best at, we will play there. At this point, we don't see a way to build a great product for this \$399, \$499, this kind of price-point unit. And as I've said before, and I think this is playing out in several areas, I think some customers, maybe many customers, buying these become disappointed and disenchanted after they buy one of these. So we're going to continue to focus on what we've always done is making the best, the most innovative and giving people tremendous value. And I feel like the moves that we've made across this quarter really puts an exploration point on those when you look at being now able to buy a MacBook Pro for \$800 less than someone could have done in October of last year. It's just jaw dropping.

And so we feel very good about our strategy and our pricing. And I think, frankly, the results bear it out. If you look at it now, now the Mac has outrun the market a staggering 18 of the last 19 quarters. And I think that really says that we do have the right approach.

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**Mike Abramsky - RBC Capital Markets - Analyst**

Thank you very much, Tim.

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**Nancy Paxton - Apple Inc. - Senior Director, IR**

Thank you, Mike. Can we have the next question, please?

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**Operator**

We'll hear from Andy Hargreaves with Pacific Crest.

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**Andy Hargreaves - Pacific Crest - Analyst**

I'm just wondering on the iPhone. Do you feel like the services and apps are obviously growing really fast. Is that putting -- is it the growth there constrained, do you think, by the network capacity of your carrier partners?

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**Tim Cook - Apple Inc. - COO**

I think, Andy, it's Tim, I think that's a better question for them. But what I see without talking about specific ones, I see them making more investment in order to have faster networks and see them being very happy about driving higher ARPUs and lower churn. This changes their cost to customer acquisition if they're not outchurning people left and right. So I think they will continue to make investments to deliver services that people really enjoy, which is faster networks.



Jul 21, 2009 / 09:00PM GMT, AAPL - Q3 2009 Apple Inc. Earnings Conference Call

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**Andy Hargreaves - Pacific Crest - Analyst**

Do you think you guys will end up making investments on the side, whether it's a NOC or a data center or something to help take some of the pressure off them or off load some of that capacity?

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**Tim Cook - Apple Inc. - COO**

We have no plan to do so. When we entered this business, we looked at it and came to a conclusion that what we could do really well was deliver a world-class handset because of our hardware and software skills and that we could uniquely play in that world and deliver something that was revolutionary. I think there are other people that have much more skills than networks, and I think we're dealing with a lot of those as partners. And I think that's their business and they're quite good at it.

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**Andy Hargreaves - Pacific Crest - Analyst**

Okay. Thank you.

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**Nancy Paxton - Apple Inc. - Senior Director, IR**

Thank you, Andy. Can we have the next question, please.

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**Operator**

We'll hear from Katy Huberty with Morgan Stanley.

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**Katy Huberty - Morgan Stanley - Analyst**

A couple of follow-ups, Tim, on the conversation around \$399, \$499 net book or whatever you want to call it. I understand that the ability of Apple to make something that is high quality at that price point is limited. But do you think that there is, perhaps, an emerging market for a truly mobile device that would have perhaps a larger screen where you can do more with it than on the iPhone that is big enough that you may want to participate at regardless of price?

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**Tim Cook - Apple Inc. - COO**

I never want to discount anything in the future and never want to specifically answer a question on new products. As you probably know, Katy, the point I'm making right now is that I think most customers that are buying a portable want a full-featured notebook. And we deliver those and deliver some incredible values in those, and we feel like -- and we know from our research the customers are very happy with those. I think some of the net books that are being delivered or many of those are very slow.

They have software technology that is old. They don't have a robust computing experience. They lack horse power. They have small displays and cramped keyboards. I could go on and on but I won't. And so that kind of thing, I think, many people will not be happy with. And we're only going to plan things where we can deliver something that is very innovative that we're very proud of.

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**Nancy Paxton - Apple Inc. - Senior Director, IR**

Thank you, Katy. Could we have the next question, please?

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**Operator**

We'll hear from Brian Marshall with Broadpoint AmTech.



Jul 21, 2009 / 09:00PM GMT, AAPL - Q3 2009 Apple Inc. Earnings Conference Call

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**Brian Marshall - Broadpoint AmTech - Analyst**

Hi. Thanks. A question with regards to iPhone activations. Based on my calculations, it seems as though the US has represented about 40% or so of the total activations over the last couple quarters. Shouldn't we be entering a point here where the international side should start to pick up here and start growing materially faster, and I just wondered if you could help us think about this.

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**Tim Cook - Apple Inc. - COO**

This is Tim again. We don't release the percentage of iPhone sales by geography. And so I wouldn't want to get into that. We view it as competitive information. Generally speaking, you would find that smart phones in general are being sold in larger numbers in environments where post pay is the primary payment mechanism. Not that phones are being sold and prepaid. There are some, but it's much lower.

And so you can look at and do an analysis of where those post pay countries are and find that there is a disproportionate number of phones relative to the total phone market being sold there. But that's not unique to Apple. I think that's the reality of the smart phone market currently.

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**Brian Marshall - Broadpoint AmTech - Analyst**

And, Tim, having said that, some of your competitors are sort of tinkering around with some of the prepaid models out there. Is that something that you might be interested in down the road?

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**Tim Cook - Apple Inc. - COO**

We're doing that as well. And we sell by prepay in markets that are predominantly prepay. And I think we have more to learn in that environment. I think this is an environment where we're still a beginner in some ways. And I think we can make drastic improvements. I think our business model works quite well in the post pay category. But prepay is an opportunity for us. We are trying it in both markets where post pay is dominant of the two and we're trying it where prepay is the dominant. So we have multiple things going on right now and hopefully we'll learn from that and improve as we move forward.

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**Brian Marshall - Broadpoint AmTech - Analyst**

Okay. Final question, any help you can give with regards to the percent of the iPod Touch user base which we calculated north of \$20 million at this point, that actually upgraded to the new iPhone 3.0 software?

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**Tim Cook - Apple Inc. - COO**

I would call it a good number. And I don't want to be more specific. But obviously we priced that extremely aggressively and we are very much wanting to get the platform out there. It's great for our ecosystem and the developers will sell more apps as a part of that. So we tried very hard to get people to upgrade.

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**Nancy Paxton - Apple Inc. - Senior Director, IR**

Thank you, Brian. The next question, please.

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**Operator**

We'll hear from Chris Whitmore at Deutsche Bank.

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**Chris Whitmore - Deutsche Bank - Analyst**



Jul 21, 2009 / 09:00PM GMT, AAPL - Q3 2009 Apple Inc. Earnings Conference Call

Thanks very much. Do the supply constraints on the iPhone 3G-S affect the rollout for remaining countries or put it another way when do you expect it to reach equilibrium for the iPhone.

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**Tim Cook - Apple Inc. - COO**

Let me answer both questions. One, I don't want to predict today when supply and demand will balance. I know that it will not balance in the short-term. And I don't want to give a prediction because as you can guess, it's very difficult to gauge the demand without having the supply there to find out what it is. And so I don't want to do that. In terms of affecting the country roll out, I believe the vast majority of the countries that we were selling -- that we are selling the 3 G in will be selling a 3 GS by the end of the fiscal quarter. So it may move the date by a few weeks here or there, but I think the vast majority will be shipping in by the end of the fiscal quarter.

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**Chris Whitmore - Deutsche Bank - Analyst**

Tim, any update on the iPhone in China?

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**Tim Cook - Apple Inc. - COO**

Nothing to work -- nothing to add to date specifically other than it continues to be a priority project and we hope to be there within a year.

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**Nancy Paxton - Apple Inc. - Senior Director, IR**

Thank you, Chris. Could we have the next question, please.

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**Operator**

We'll hear from Charles Wolf with Needham and Company.

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**Charles Wolf - Needham & Co - Analyst**

Hi, guys. I have a couple of questions. On sales of the iPhone, could you share with us any information you have regarding the division between new activation

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**Tim Cook - Apple Inc. - COO**

Charlie, it's Tim. I can't share that information. Some of that information is confidential to the carriers themselves because the customer signs up with the carrier.

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**Charles Wolf - Needham & Co - Analyst**

Okay. Well, let me ask a question about the App Store then. In terms of application prices, there appears to be a race to the bottom. I've noticed that there is an increasing number of \$0.99 offerings. Do you regard this as a concern, and, if so, are you taking any steps to enable consumers to separate quality apps from

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**Tim Cook - Apple Inc. - COO**

Charlie, we're always looking for ways to categorize apps differently. And we do have some ideas in this area. As you know today, we do it by type of app and also show popular apps and top selling apps, et cetera. We realize there is opportunity here for further improvement and are working on that. In terms of the price, the developer sets the price. And so it's up to the developer what to charge. And I think what they're doing is they're doing what any good business person would do is doing the elasticity analysis and deciding where to best set their price. I would expect



Jul 21, 2009 / 09:00PM GMT, AAPL - Q3 2009 Apple Inc. Earnings Conference Call

-- I would think as the install base grows more and more and more, it makes more and more sense to have a bit lower prices. And -- but that's totally up to the developers. And I'm sure each of them may view that in a little different manner. Thank you.

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**Nancy Paxton** - *Apple Inc. - Senior Director, IR*

Thanks, Charlie. And thanks to everyone. A replay of today's call will be available for two weeks at the podcast on the iTunes store, as a webcast on [apple.com/investor](http://apple.com/investor), and via telephone.

And the numbers for the telephone replay are 888-203-1112 or 719-457-0820. The confirmation code is 2531481. And these replays will be available beginning at approximately 5:00 p.m. Pacific time today. Members of the press with additional questions can contact Steve Dowling at 408-974-1896. And financial analysts can contact Joan Hoover or me with additional questions. Joan is at 408-974-4570. And I'm at 408-974-5420. Thanks, again, for joining us.

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**Operator**

Ladies and gentlemen, that does conclude today's presentation. We do thank everyone for your participation.

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