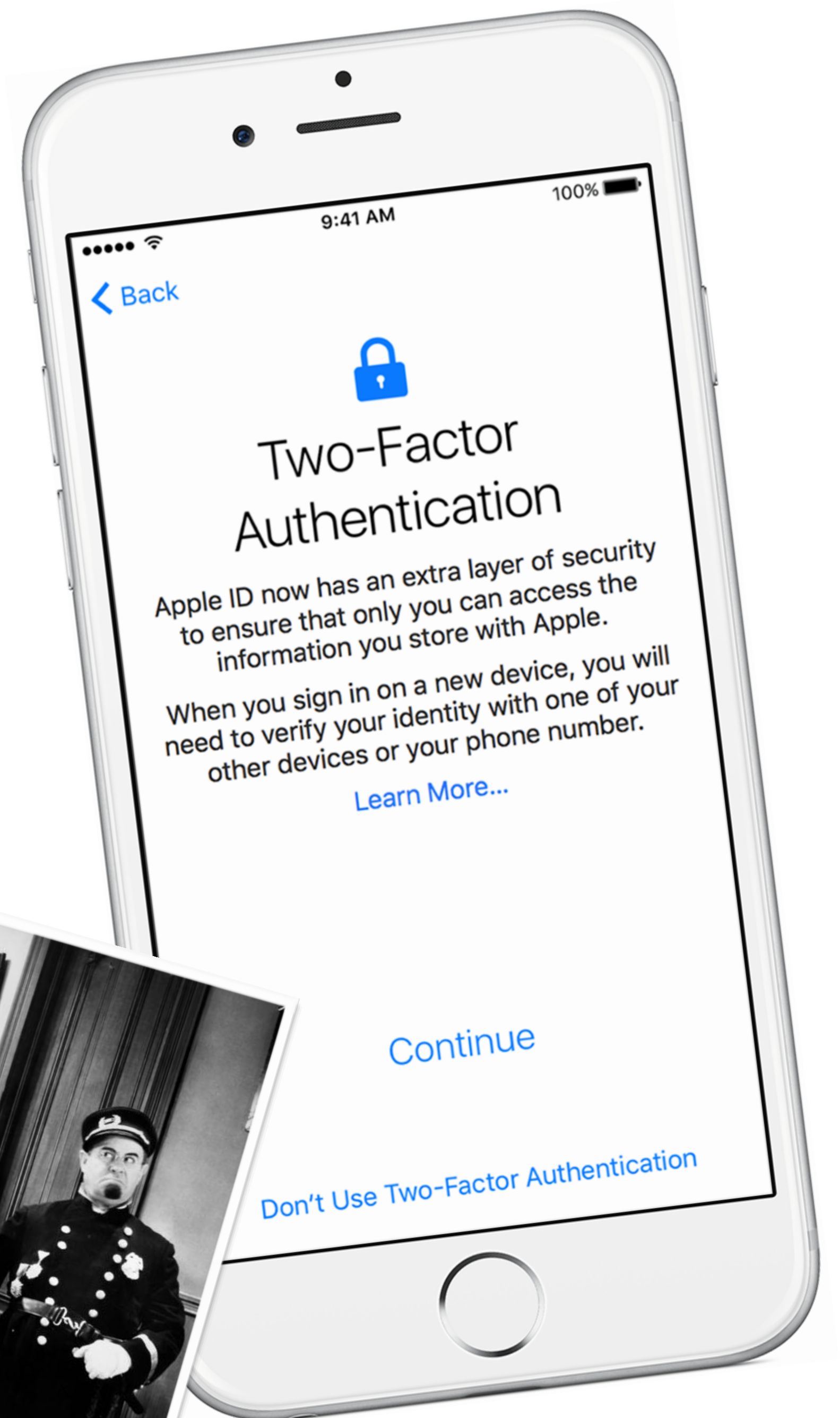
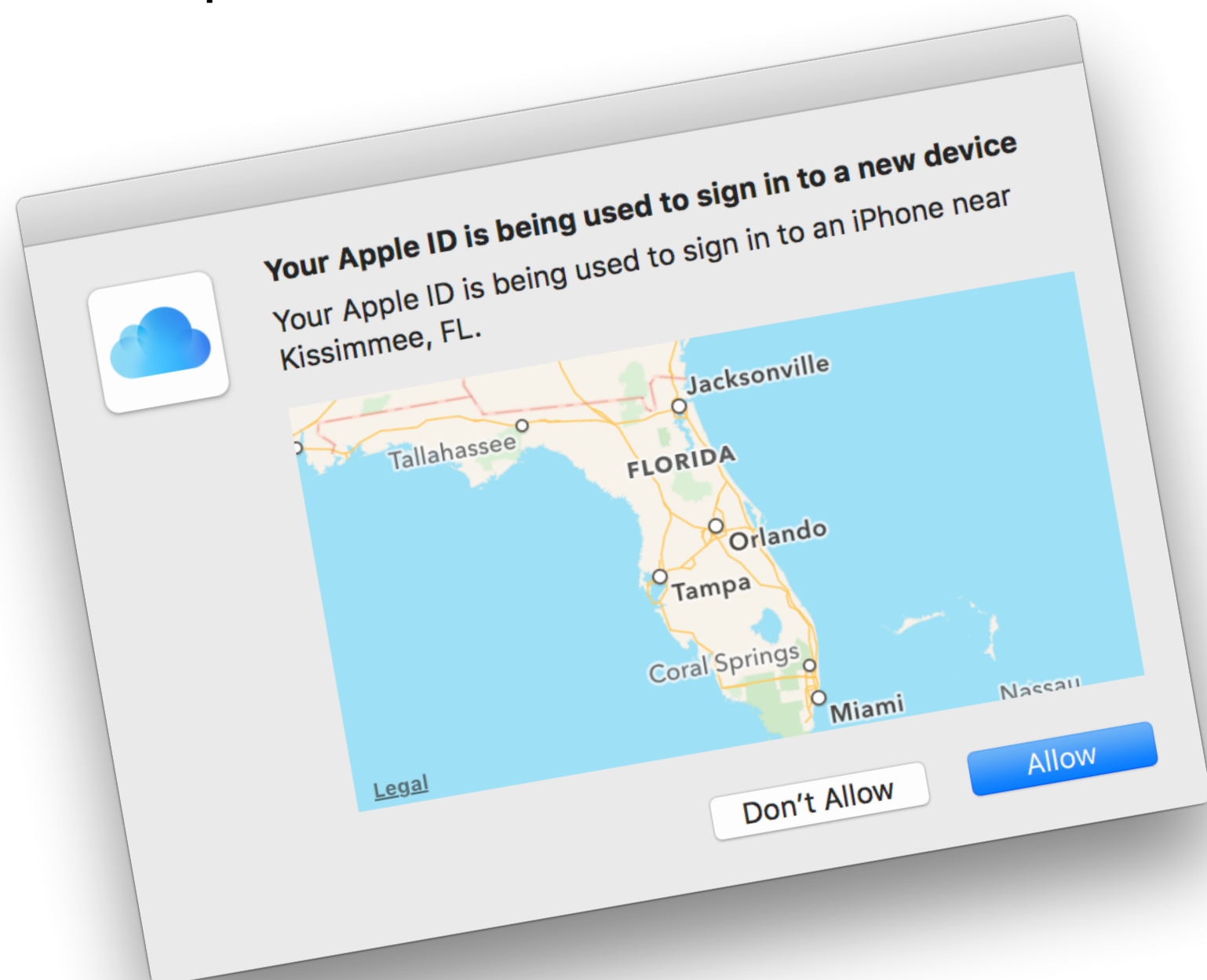




Apple Pay

Cove Apple Club

April 27, 2016



Tonight's Topics

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- Apple's “bad” quarter

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- Apple's new Two-Factor Authentication security layer

Ancient History

Apple is providing the following guidance for its fiscal 2016 second quarter:

- revenue between \$50 billion and \$53 billion
- gross margin between 39 percent and 39.5 percent
- operating expenses between \$6 billion and \$6.1 billion
- other income/(expense) of \$325 million
- tax rate of 25.5 percent

Ancient History

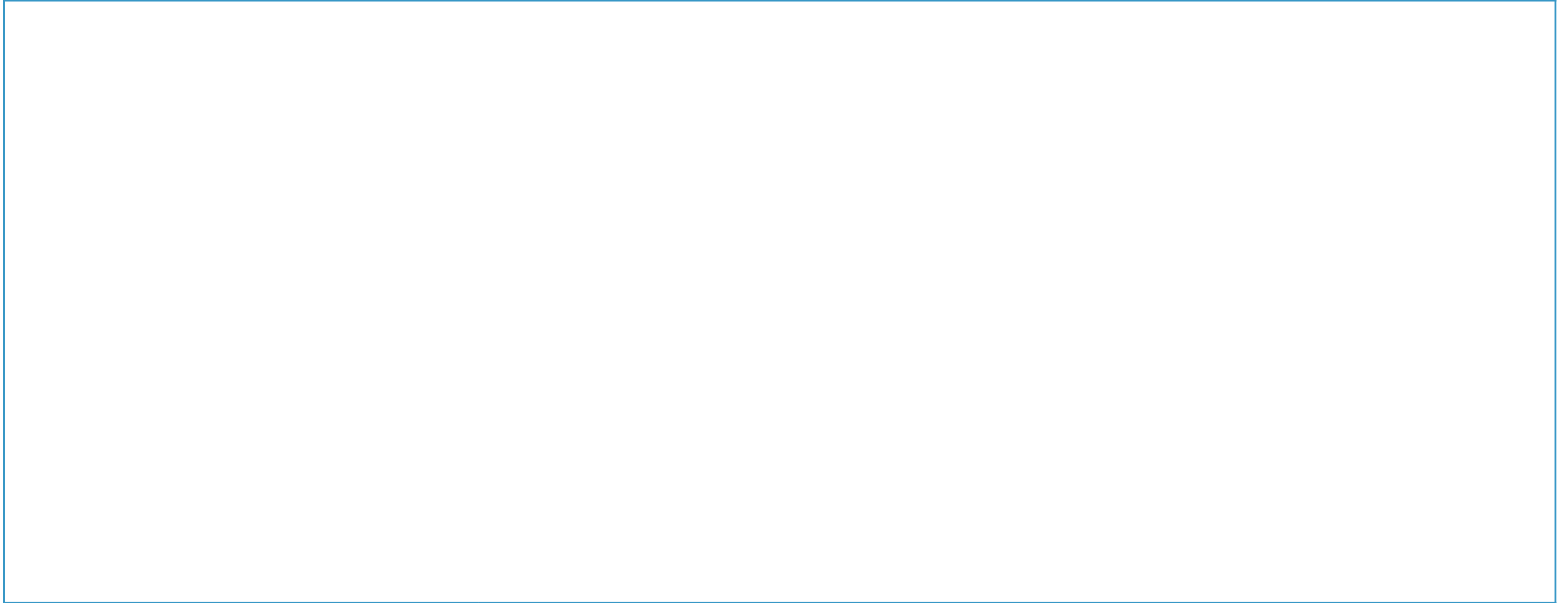
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**source: Apple 1Q16 Results,
CFO Luca Maestri
January 26, 2016**

How Did They Do?

How Did They Do?





How Did They Do?

Metric



How Did They Do?

Metric	Apple	Guided

How Did They Do?

Metric	 Guided	 Actual

How Did They Do?

Metric	 Guided	 Actual
Revenue		



How Did They Do?

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Revenue	\$50 — 53 Billion	



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How Did They Do?

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**In the Alice-in-Wonderland world of finance,
this is considered “a miss!”**

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- ...and it's bad because...?
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- iPhone SE selling better than Apple expected; they were supply constrained in 2Q, catching up now

Other 2Q Results Notes

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- Increasing per-share dividend 10%, to \$0.57, payable 5/12 to SOR 5/9

Wall Street Journal's Egregious Error

Video →



iPhone 6s Plus

**APPLE'S 2016 1Q
SLOWDOWN:
BY THE
NUMBERS**

WSJ

00:03 / 01:15

Comcast in Talks to Buy DreamWorks Animation 1:31

Apple's 2016 1Q Slowdown: By the Numbers 1:15

Beijing Auto Show Debuts Latest Electric Vehicles 2:14

Wall Street Journal's Egregious Error



APPLE POSTED ITS FIRST
QUARTERLY LOSS IN
13 YEARS

WSJ

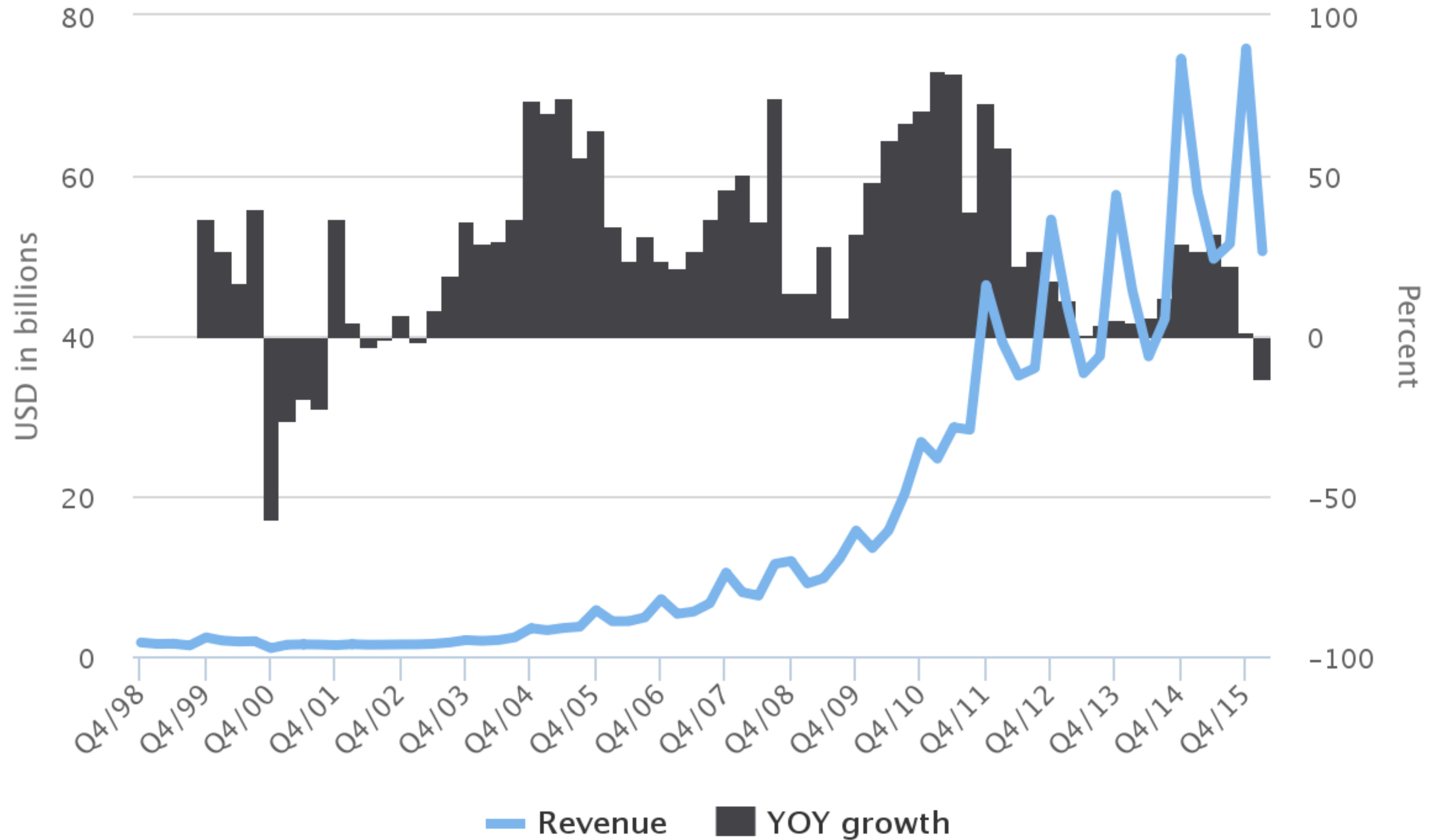
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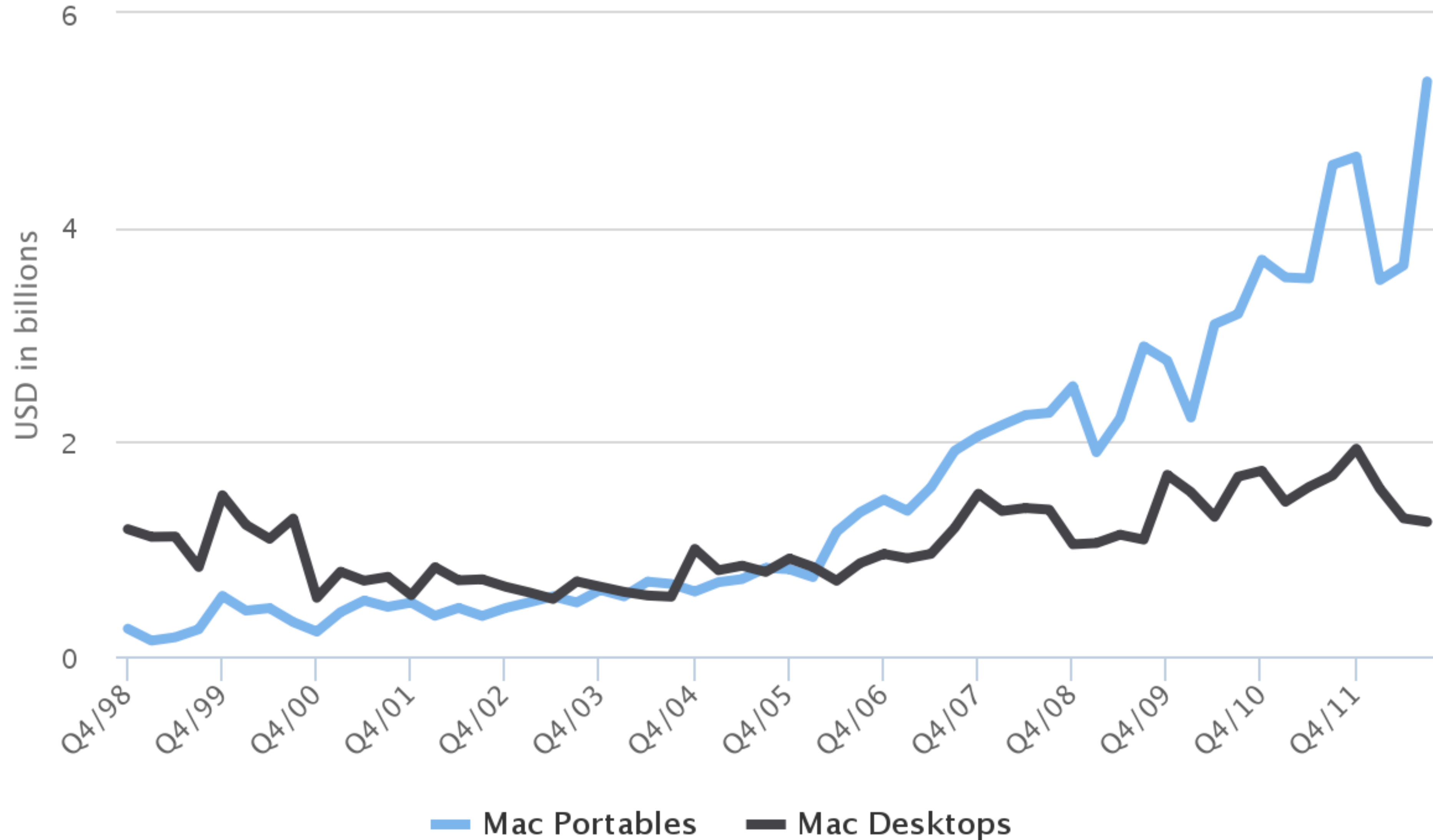
Wall Street Journal's Egregious Error



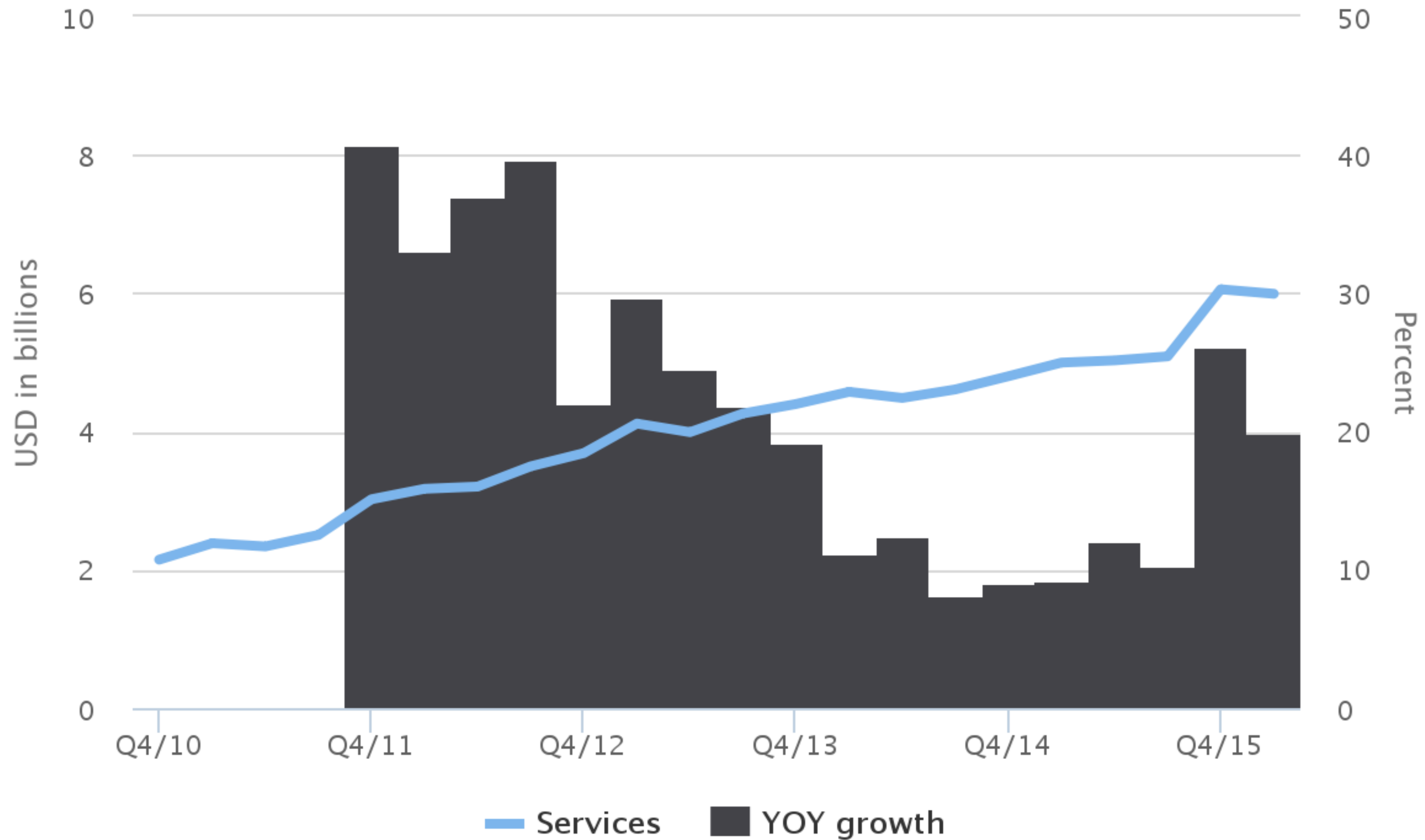
Apple: Revenue



Apple: Mac Portables vs. Mac Desktops revenue



Apple: Services revenue





FBI & DOJ, probably

Apple's Fight to Protect Your Privacy

Our Story So Far...



Our Story So Far...

- February: US DOJ & Federal Magistrate order Apple to ***create a new version of iOS*** in order to unlock Syed Farook's iPhone, purportedly used in San Bernardino massacre



Our Story So Far...

- February: US DOJ & Federal Magistrate order Apple to ***create a new version of iOS*** in order to unlock Syed Farook's iPhone, purportedly used in San Bernardino massacre
- Late February: Apple wins in two subsequent court rulings; DOJ & White House keep up pressure; case seems headed to SCOTUS; tech industry & civil libertarians unite with Apple to fight Fed order



**What does the NSA spend \$60-billion a year on
if they can't crack open an iPhone?**

What does the NSA spend \$60-billion a year on if they can't crack open an iPhone?

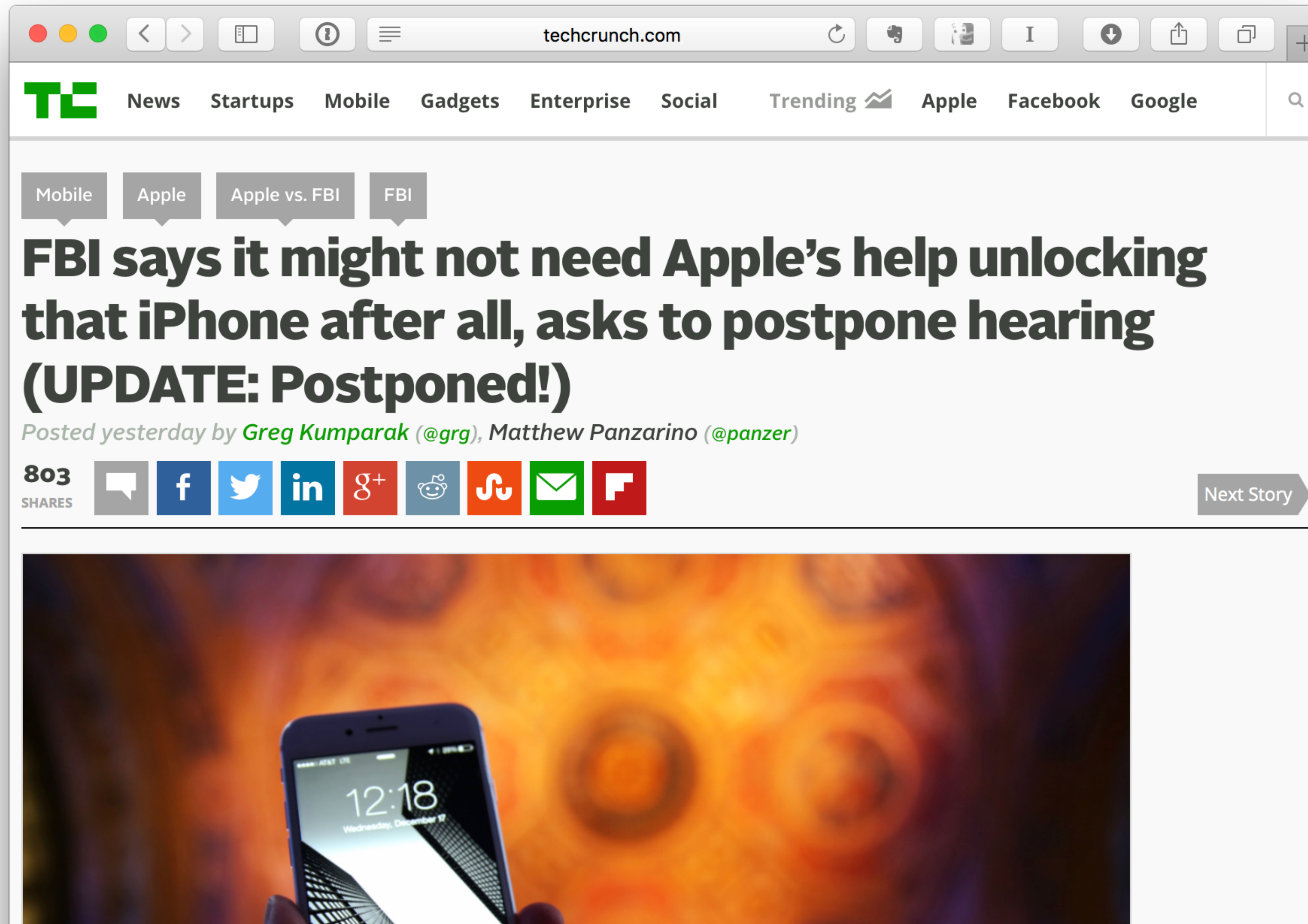
CLARKE: Every expert I know believes that NSA could crack this phone. They want the precedent that the government can compel a computer device manufacturer to allow the government in.

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*Richard Clarke, former Special Advisor to the President on Cybersecurity in the George H.W. Bush administration, speaking to host David Green on NPR's Morning Edition, on **Tuesday, March 15, 2016.***

Coincidence?



source: TechCrunch,
March 20, 2016

A Week Later...



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the **two-way**

BREAKING NEWS FROM NPR

AMERICA



The FBI Has Successfully Unlocked The iPhone Without Apple's Help

March 28, 2016 · 6:20 PM ET

ALINA SELYUKH



Perjury?

1 EILEEN M. DECKER
United States Attorney
2 PATRICIA A. DONAHUE
Assistant United States Attorney
3 Chief, National Security Division
TRACY L. WILKISON (California Bar No. 184948)
4 Assistant United States Attorney
Chief, Cyber and Intellectual Property Crimes Section
5 ALLEN W. CHIU (California Bar No. 240516)
Assistant United States Attorney
6 Terrorism and Export Crimes Section
1500 United States Courthouse
7 312 North Spring Street
Los Angeles, California 90012
8 Telephone: (213) 894-0622/2435
Facsimile: (213) 894-8601
9 Email: Tracy.Wilkison@usdoj.gov
Allen.Chiu@usdoj.gov

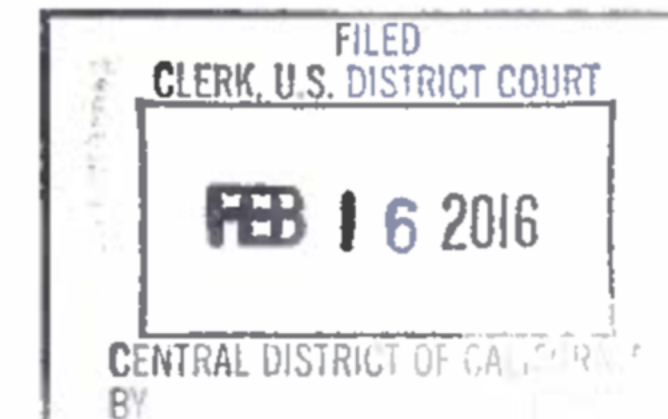
10 Attorneys for Applicant
11 UNITED STATES OF AMERICA

12 UNITED STATES DISTRICT COURT
13 FOR THE CENTRAL DISTRICT OF CALIFORNIA

14 IN THE MATTER OF THE SEARCH OF
AN APPLE IPHONE SEIZED DURING
15 THE EXECUTION OF A SEARCH
WARRANT ON A BLACK LEXUS IS300,
16 CALIFORNIA LICENSE PLATE
35KGD203

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CLERK U.S. DISTRICT COURT
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RIVERSIDE
BY _____



ED No. 15-0451M

GOVERNMENT'S EX PARTE APPLICATION
FOR ORDER COMPELLING APPLE INC. TO
ASSIST AGENTS IN SEARCH;
MEMORANDUM OF POINTS AND
AUTHORITIES; DECLARATION OF
CHRISTOPHER PLUHAR; EXHIBIT

Perjury?

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

In the hopes of gaining crucial evidence about the December 2, 2015 massacre in San Bernardino, California, the government has sought to search a lawfully-seized Apple iPhone used by one of the mass murderers. Despite both a warrant authorizing the search and the phone owner's consent, the government has been unable to complete the search because it cannot access the iPhone's encrypted content. Apple has the exclusive technical means which would assist the government in completing its search, but has declined to provide that assistance voluntarily. Accordingly, the government respectfully requests that this Court issue an order compelling Apple to assist in enabling the search commanded by the warrant.

II. FACTUAL BACKGROUND

Perjury?

MEMORANDUM OF POINTS AND AUTHORITIES

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Earlier This Month...

TECH > APPLE

GADGETS INTERNET SECURITY INNOVATION MOBILE

TECH APR 8 2016, 11:48 AM ET

Feds Pursue iPhone Court Fight With Apple in Brooklyn

by PETE WILLIAMS and MATTHEW DELUCA

SHARE



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The Justice Department notified a federal judge Friday that it intends to pursue a lawsuit in Brooklyn against Apple, seeking to force the company to open the iPhone of a convicted New York drug dealer.

In February, the judge denied the FBI's request to force Apple to open the New York phone, but the Justice Department appealed that ruling. The judge then asked the government whether its position would change after the FBI managed — without the help it was seeking from Apple — to open an iPhone used by Syed Farook, one of the San Bernardino attackers.



90

TECH

Apple Asks Judge To Reject Justice Department Order in New York Case

The court filing casts doubt on FBI claims and is the latest salvo over encryption



An Apple logo is seen at the Apple store. Apple Inc. filed court papers Friday asking a judge to turn down an effort by the Justice Department to force the company to help unlock an iPhone in a New York drug case. *PHOTO: MICHAELA REHLE/REUTERS*

By **DEVLIN BARRETT**

Updated April 15, 2016 6:00 p.m. ET

Apple Inc. on Friday asked a federal judge to reject the Justice Department's effort to make it help unlock an iPhone tied to a New York drug case—the latest legal volley in a continuing battle over encryption and privacy.

For months, the world's largest technology firm has been locked in a

source: Wall Street Journal
4/15/16

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Feds Get iPhone Passcode In Brooklyn Drug Case, Apple's Help

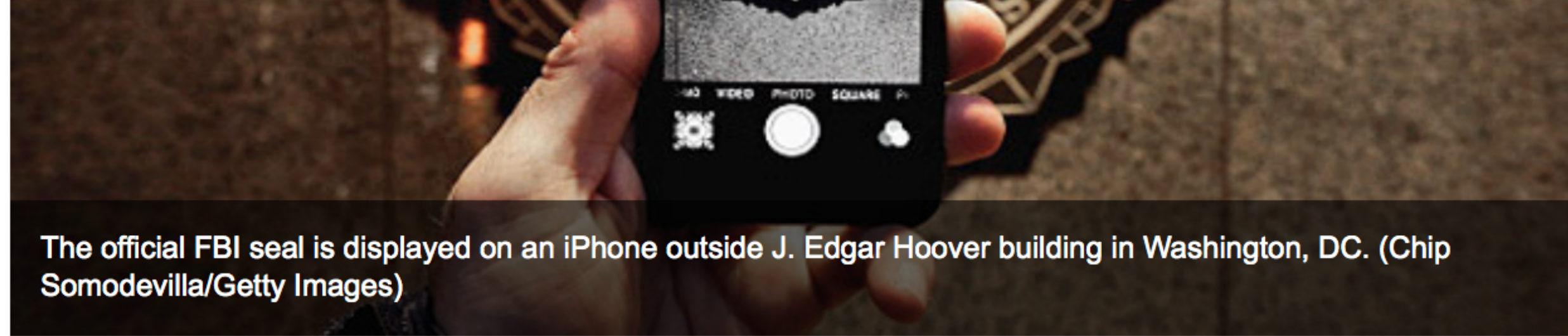
April 22, 2016 9:58 PM

Filed Under: [Apple Inc.](#), [Data Privacy](#), [FBI](#), [iPhone](#), [Law enforcement](#), [U.S. Justice Department](#)



The official FBI seal is displayed on an iPhone outside J. Edgar Hoover building in Washington, DC. (Chip Somodevilla/Getty Images)

source: CBS News
4/22/16



The official FBI seal is displayed on an iPhone outside J. Edgar Hoover building in Washington, DC. (Chip Somodevilla/Getty Images)



NEW YORK (CBS/AP) — The U.S. Justice Department said Friday it has withdrawn a request to force Apple to reveal data from a cellphone linked to a New York drug case **after someone provided federal investigators with the phone's passcode.**

Federal prosecutors said in a letter to U.S. District Judge Margo Brodie that investigators were able to access the iPhone late Thursday night after using the passcode.

The government said it no longer needs Apple's assistance to unlock the iPhone and is withdrawing its request for an order requiring Apple's cooperation in the drug case.

"As we have said previously, these cases have never been about setting a court precedent; they are about law enforcement's ability and need to access evidence on devices pursuant to lawful court orders and search warrants," Justice Department spokeswoman Emily Pierce said in a statement.

The Justice Department had sought to compel the Cupertino, California-based Apple to cooperate in the drug case, even though it had recently dropped a fight to compel Apple to help break into an iPhone used by a gunman in a December attack in San Bernardino that killed 14 people. In



REVIEW & OUTLOOK
Politics Is Not a
Crime



REVIEW & OUTLOOK
You've Got Mail and
Uncle Sam Read It



192



OPINION | REVIEW & OUTLOOK

The Encryption Farce

Justice and the FBI can't get their Apple stories straight.



FBI Director James Comey in Detroit on April 5. PHOTO: ASSOCIATED PRESS

WSJ: The Encryption Farce

Yet while Justice argued in Brooklyn that Apple's help was essential, it also argued the FBI had no obligation to pursue a non-Apple work-around. The remarkable claim was that prosecutors need not exhaust all possible alternatives before conscripting a private company, such as consulting with other U.S. agencies, hiring an outside digital forensics outfit or even interrogating Feng again.

Such assertions were as false in Brooklyn as in San Bernardino. Two hours and a half before a deadline on Friday night, the government withdrew the case after "an individual provided the passcode to the iPhone," according to legal filings. This second immaculate conception in as many months further undermines the FBI's credibility about its technological capabilities. Judges ought to exercise far more scrutiny in future decryption cases even as Mr. Comey continues to pose as helpless.

Feds to Apple:

Feds to Apple:

“Never mind!!”



Good thing there isn't anything
important at stake in these cases.

Like our Fourth Amendment rights,
Apple's First Amendment rights,
our freedom & civil liberty, an
expectation of privacy, the
principle of limited government,
and the rule of law.

What if Apple had caved back
in February?

Two-factor authentication for Apple ID

Two-factor authentication is an extra layer of security for your Apple ID designed to ensure that you're the only person who can access your account, even if someone knows your password.



[How it works](#)



[Manage your account](#)



[Frequently asked questions](#)

Old System: Two-Step Verification

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- Device receiving the code had to be online / on the air

New System: Two-Factor Auth

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 - Shows unknown login attempts in real-time on other connected trusted devices
 - Lets you authorize login attempts from any other trusted device
 - Works even when the trusted device is **offline** / not on the air

Scenario: Internet Cafe

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- You're in an Internet Cafe in Romania, using a Windows machine, and you don't have cell service or Wi-Fi on your iPhone or iPad

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- Use the Windows browser to go to [iCloud.com](https://www.icloud.com),

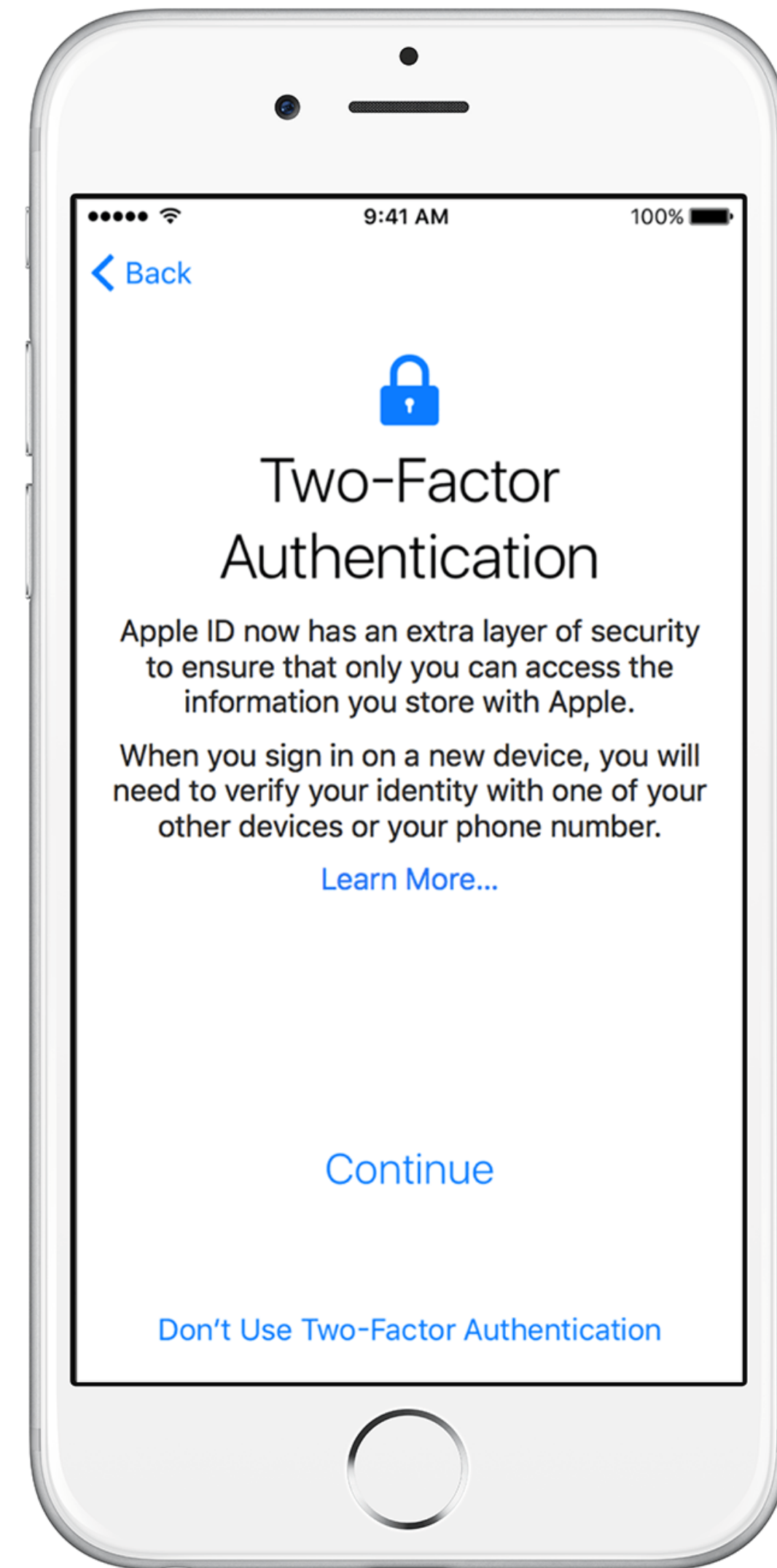
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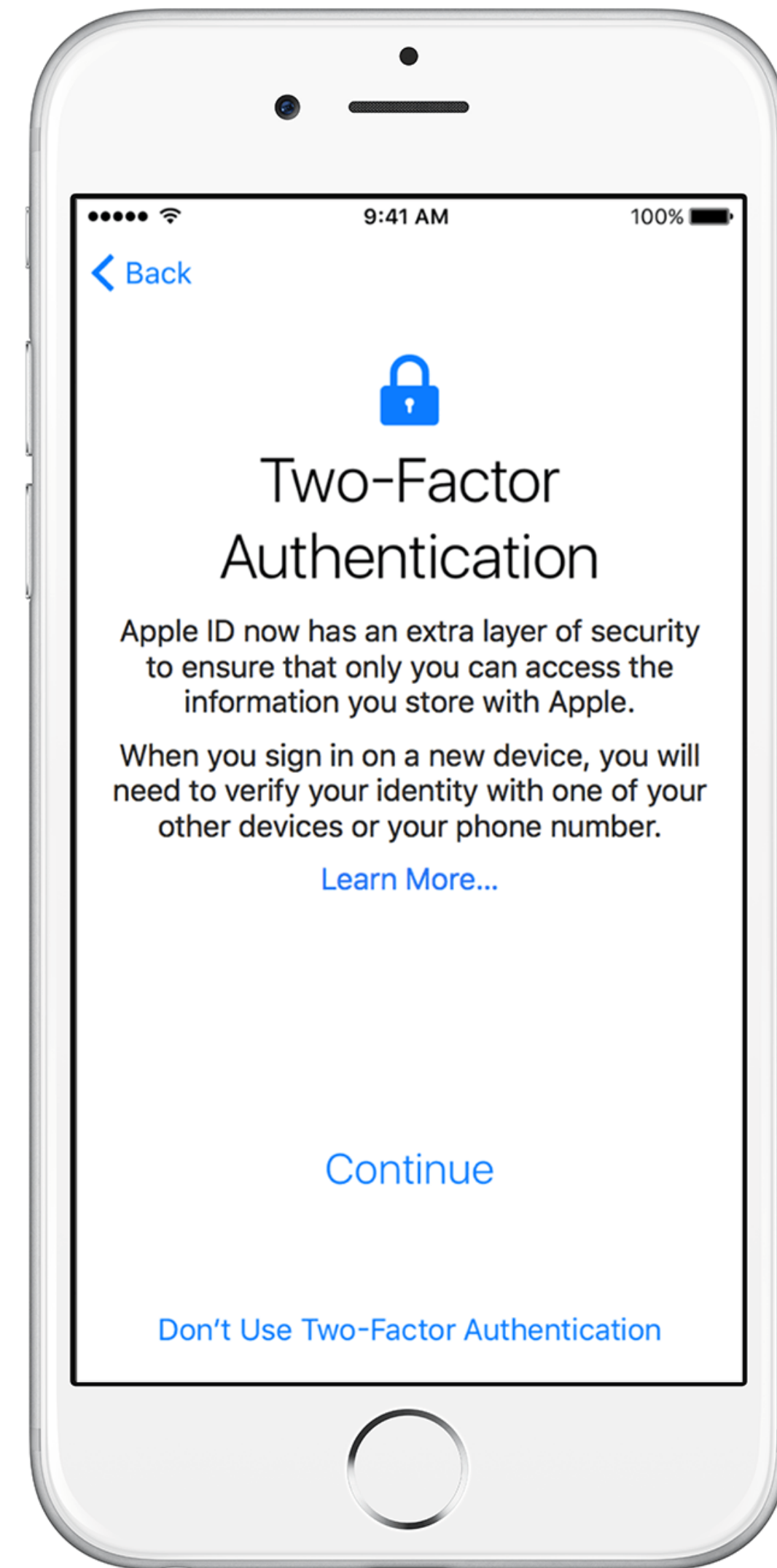
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- Login with your Apple ID and password
- Get a one-time-use Verification Code from your iPhone or iPad, ***even while they are offline.***

2FA Requirements



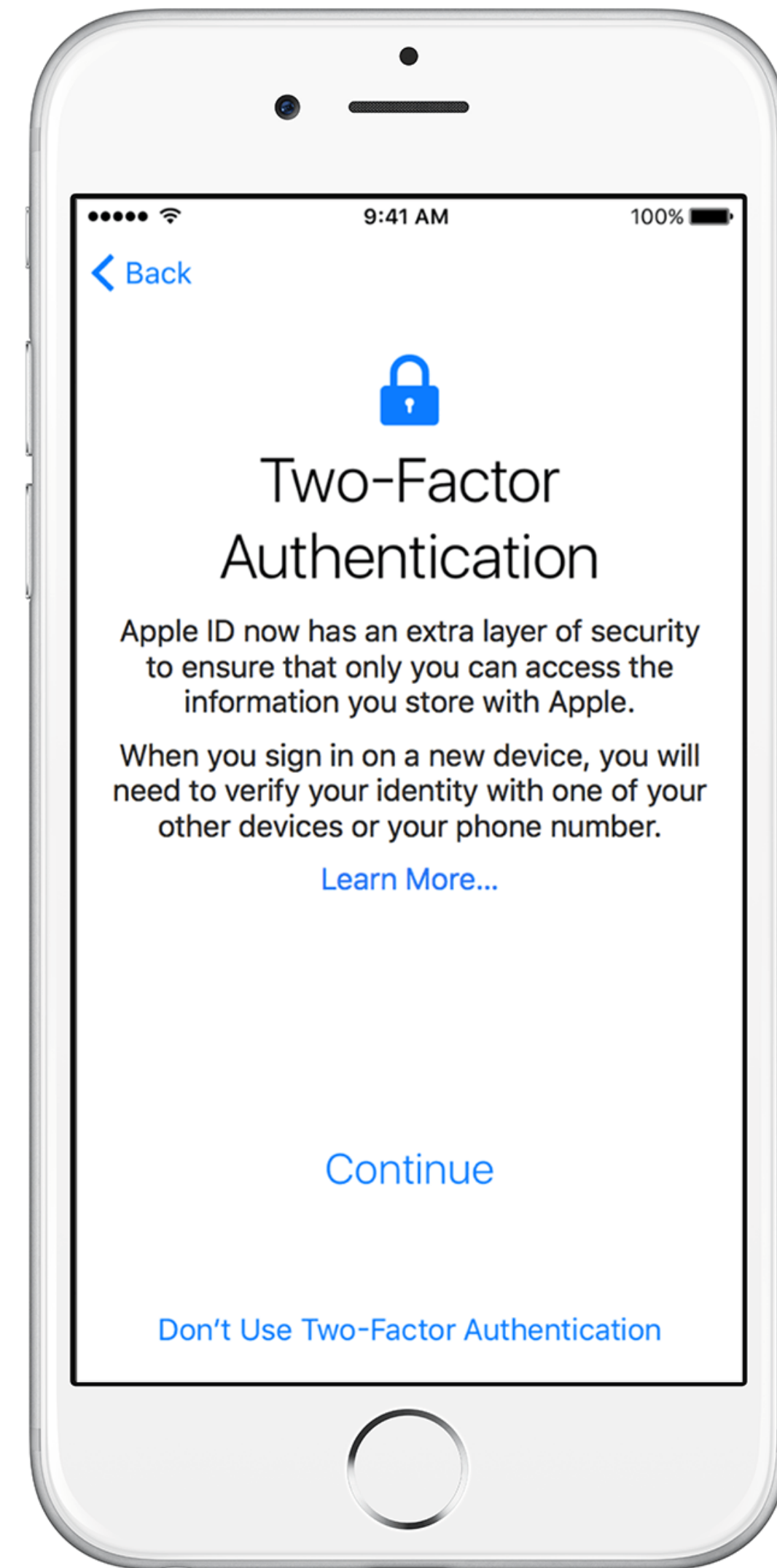
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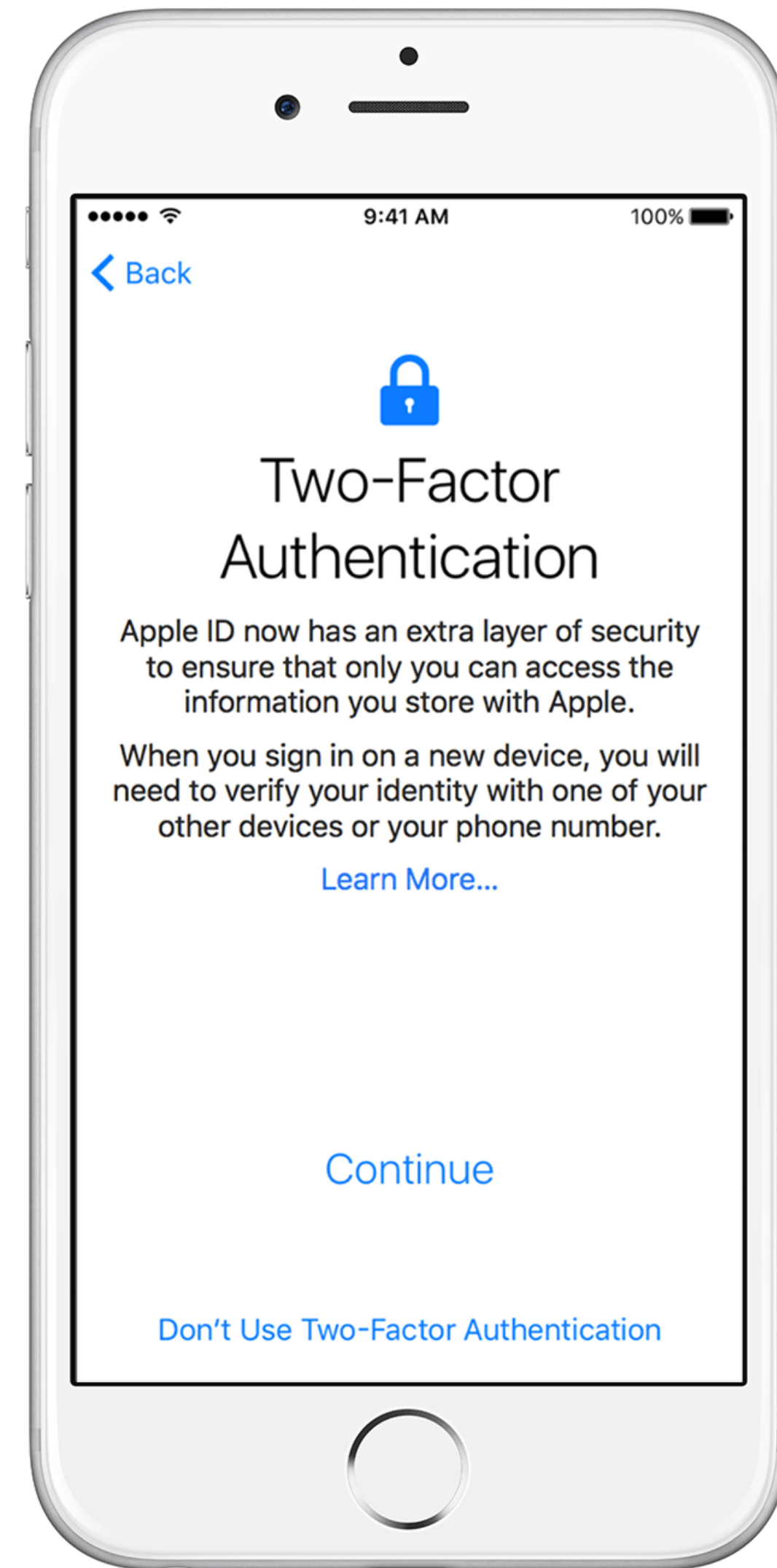
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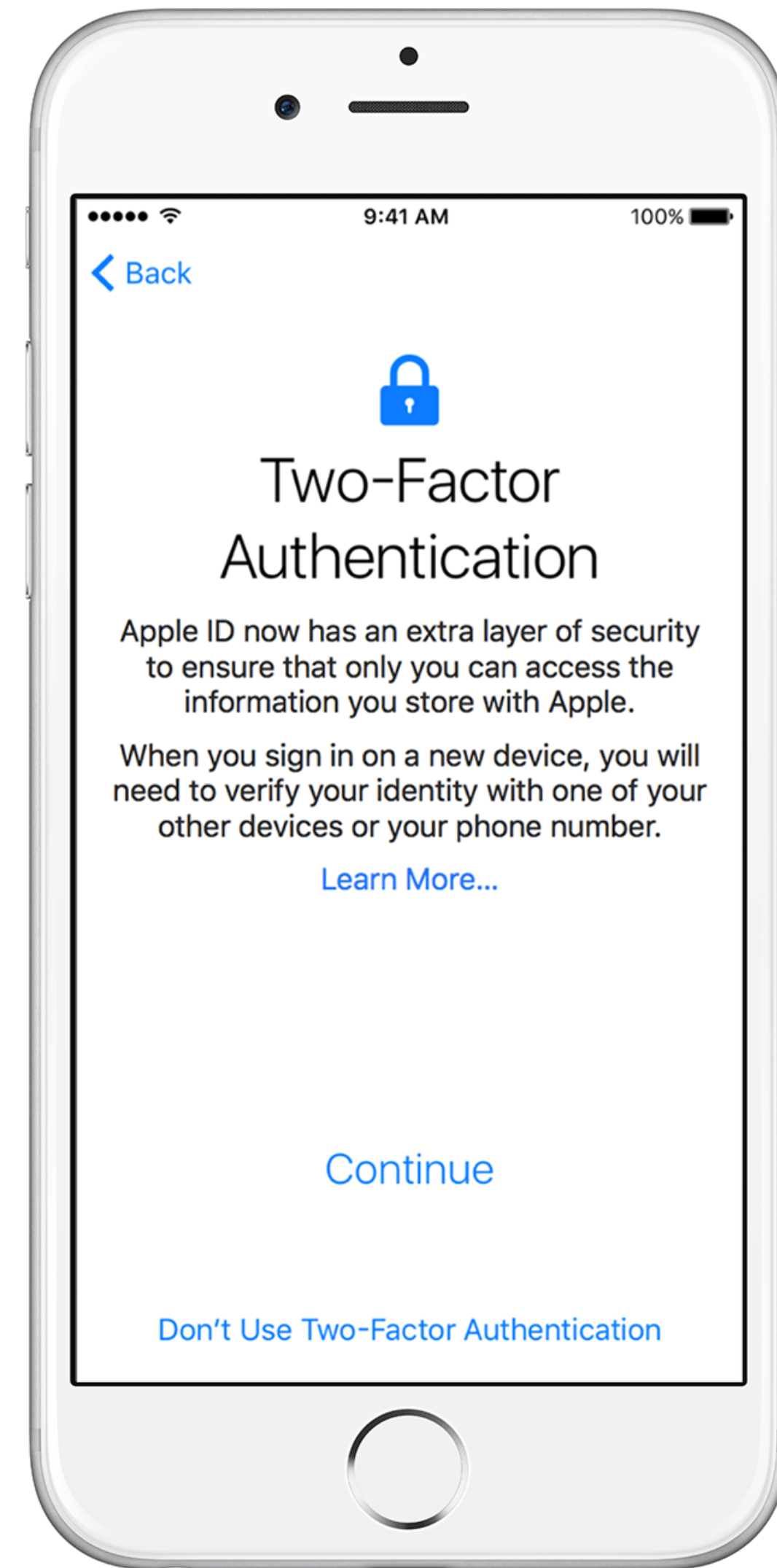
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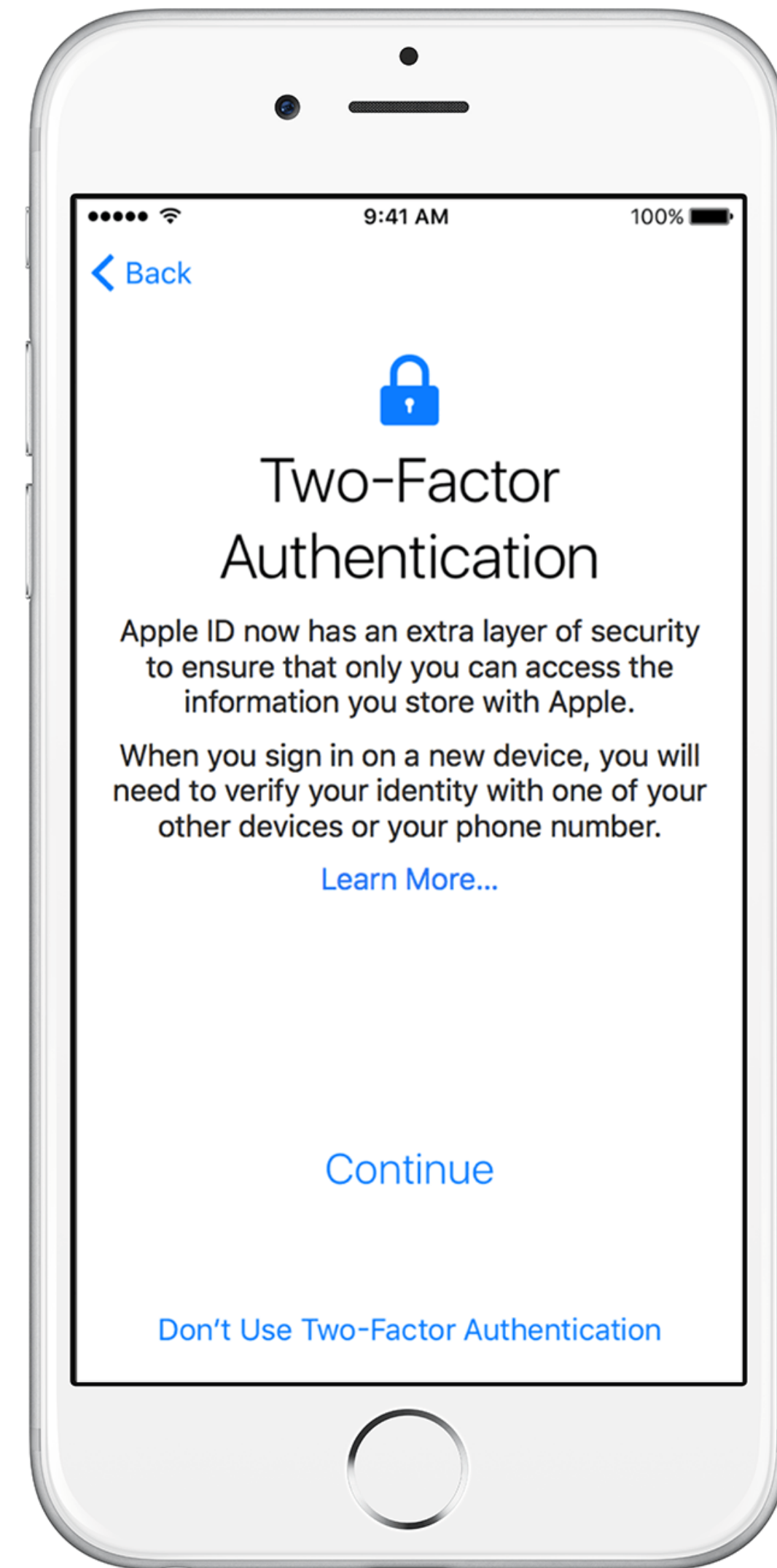
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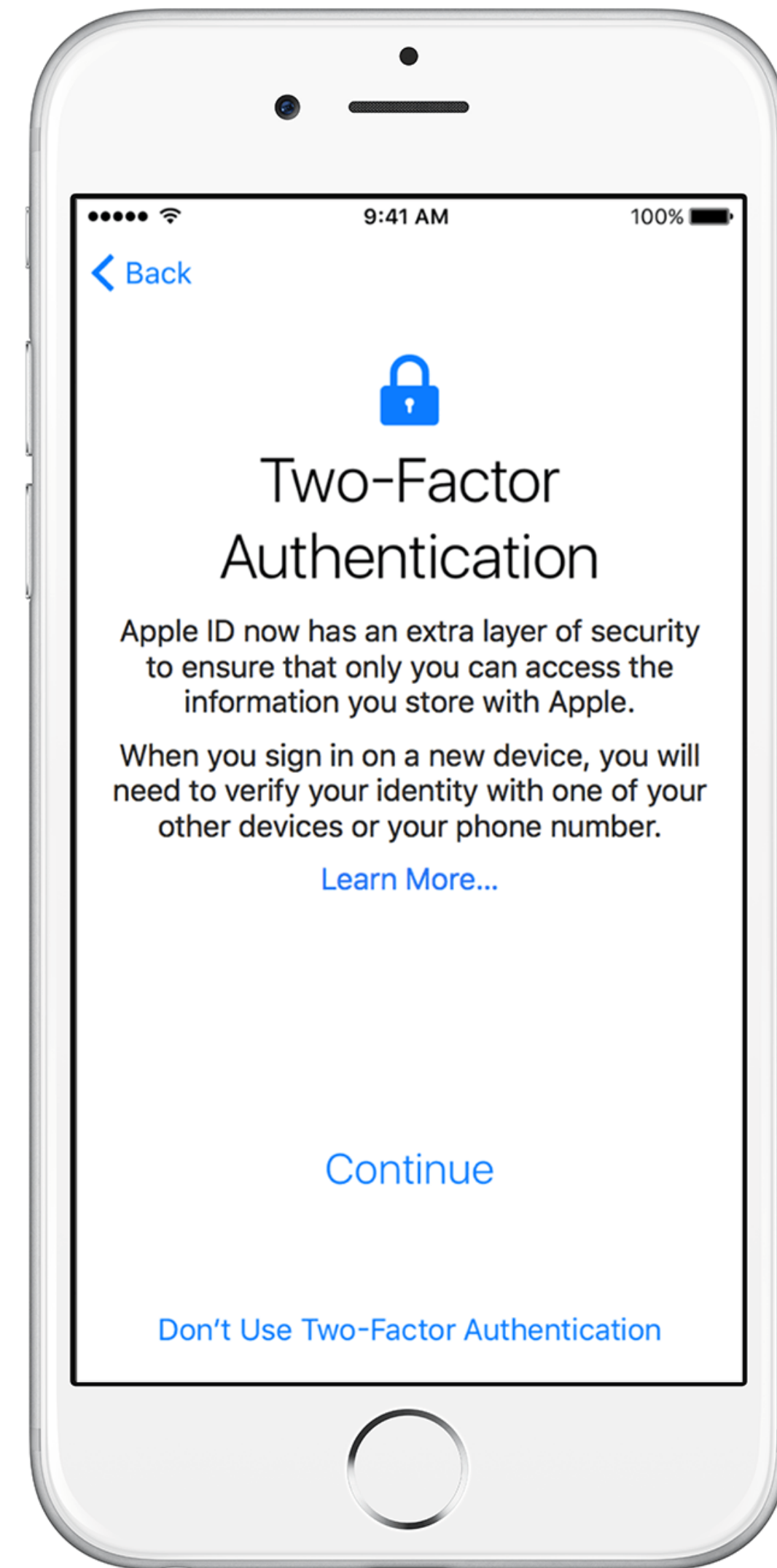
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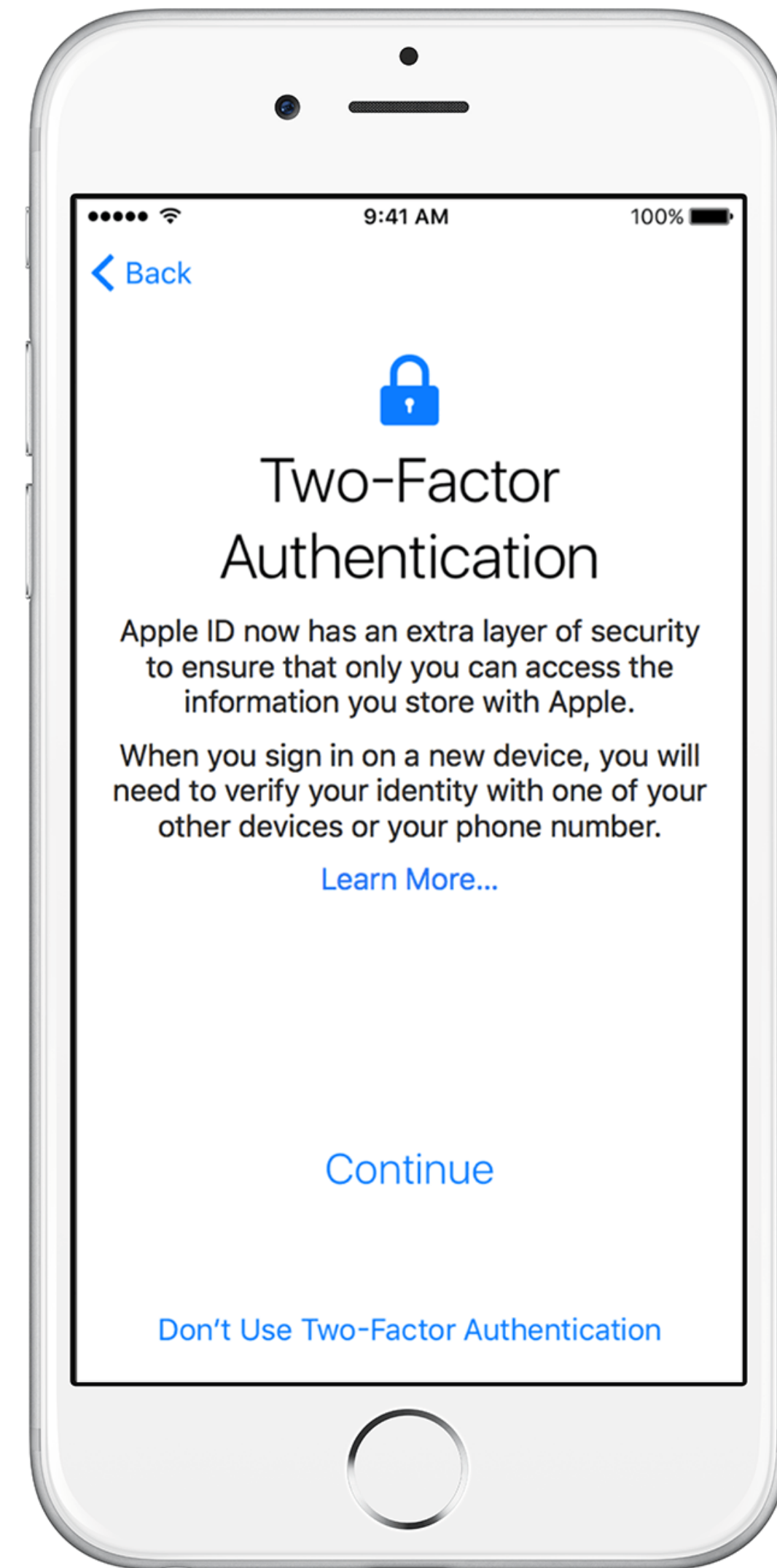
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 - Apple Watch with watchOS 2
 - Apple TV (4th generation) with tvOS
 - Windows PC with iCloud for Windows 5 and iTunes 12.3.3

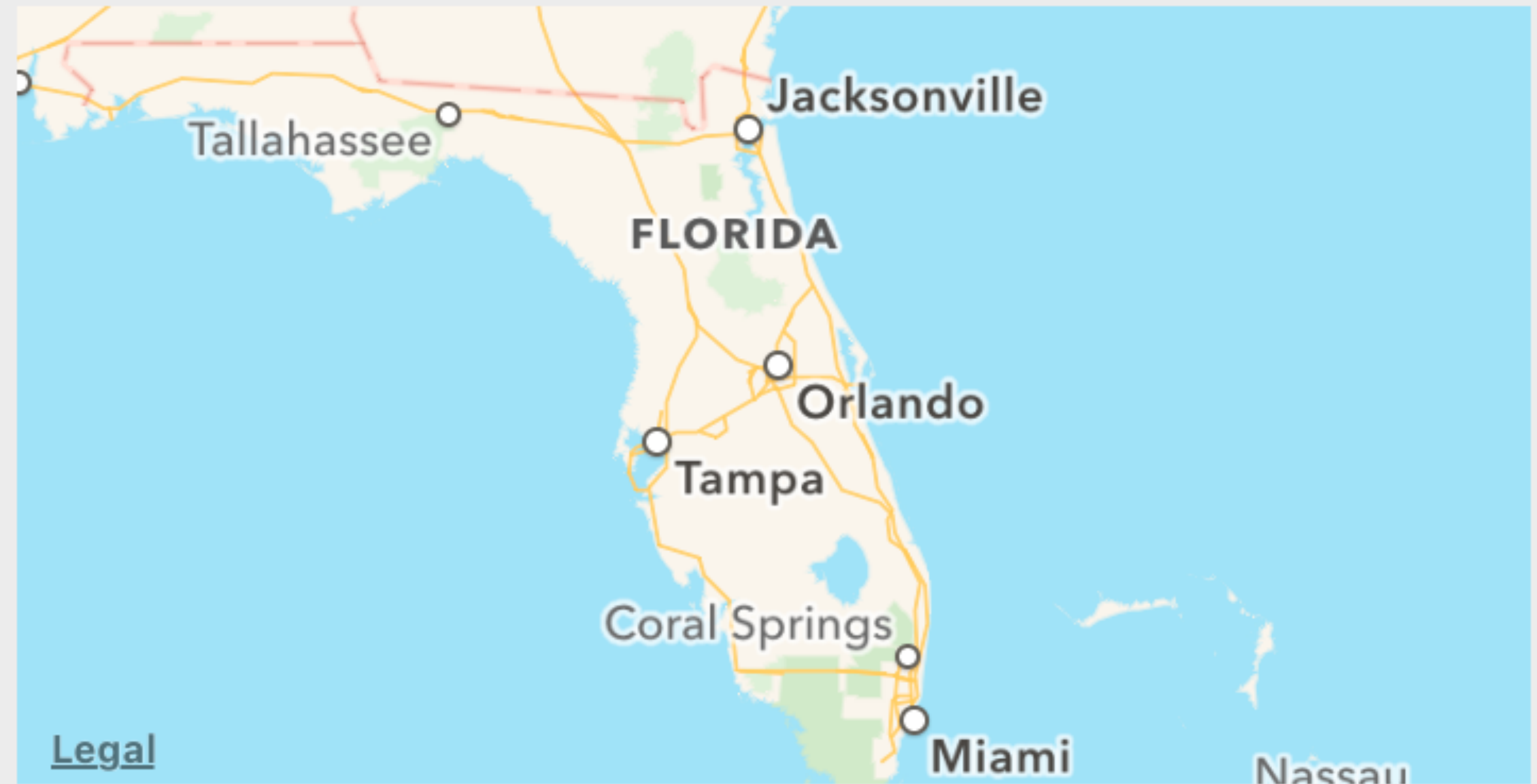


Demo!



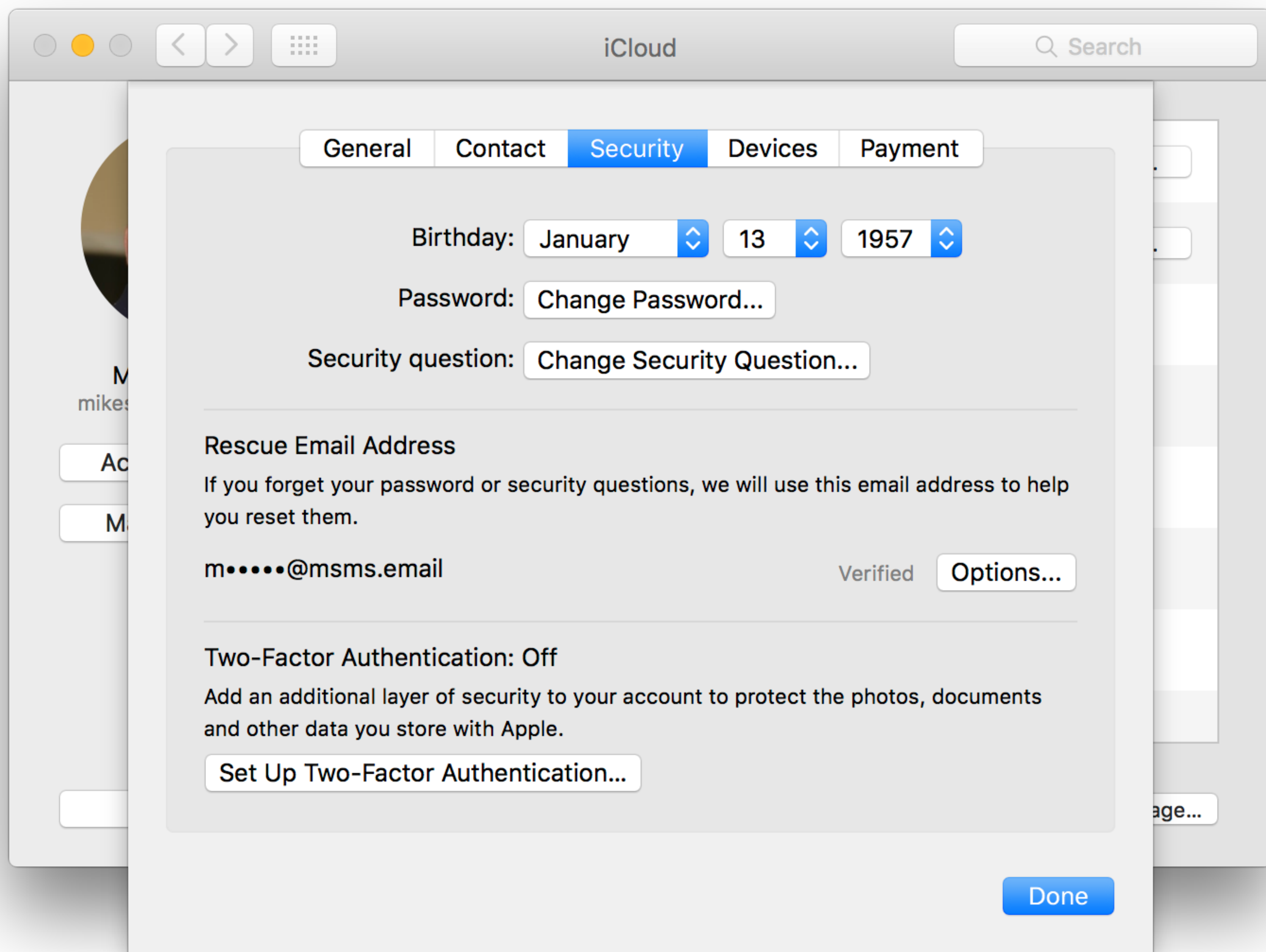
Your Apple ID is being used to sign in to a new device

Your Apple ID is being used to sign in to an iPhone near Kissimmee, FL.



Don't Allow

Allow



On Mac: System Preferences → iCloud → Account Details → Security

**Set up two-factor authentication?**

Apple ID now has an extra layer of security to ensure that only you can access the information you store with Apple.

When you sign in on a new device, you will need to verify your identity with one of your other devices or your phone number.

[Learn More...](#)[Later](#)[Set Up](#)

If you forget your password or security questions, we will use this email address to help you reset them.

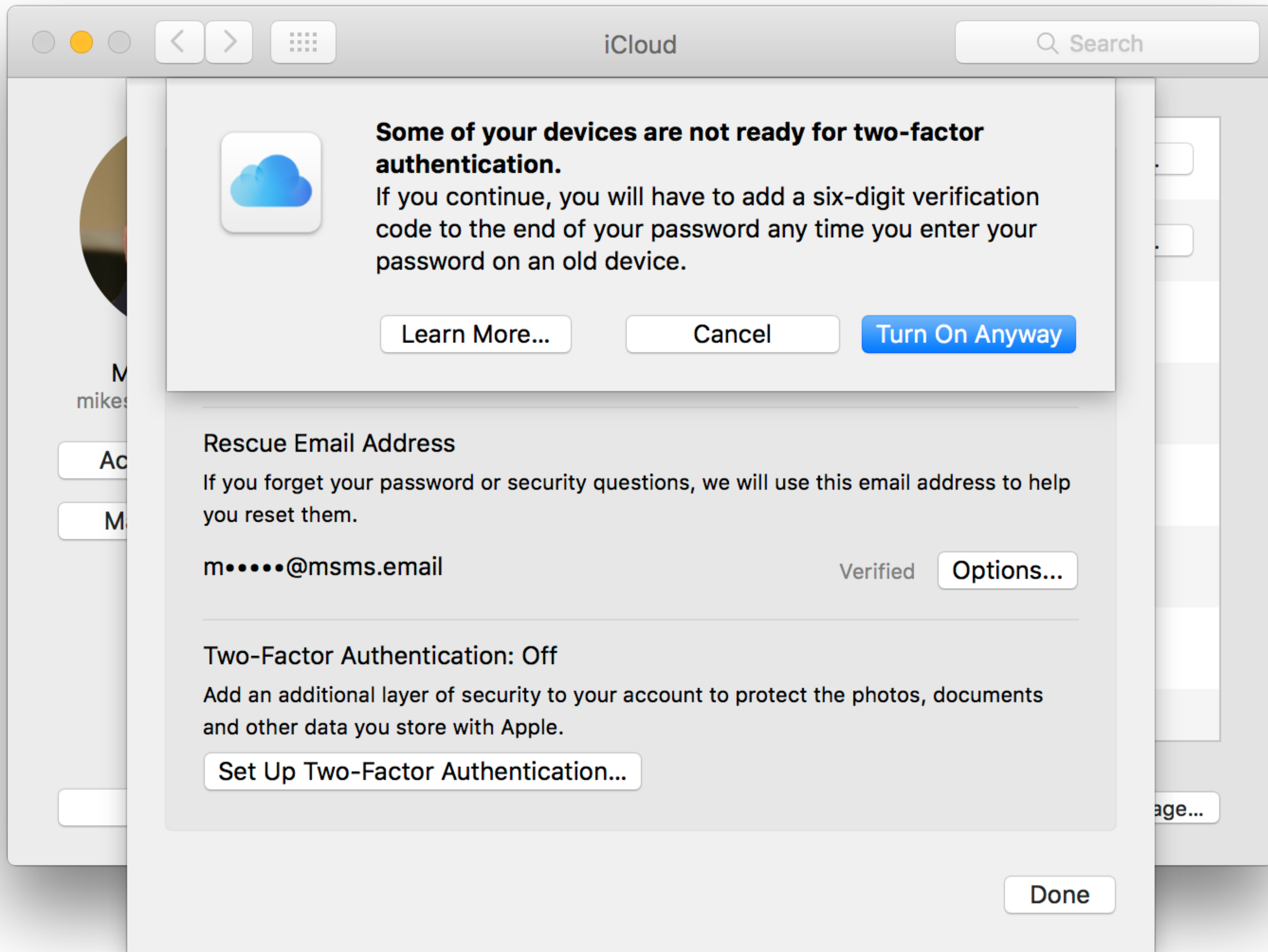
m.....@msms.email

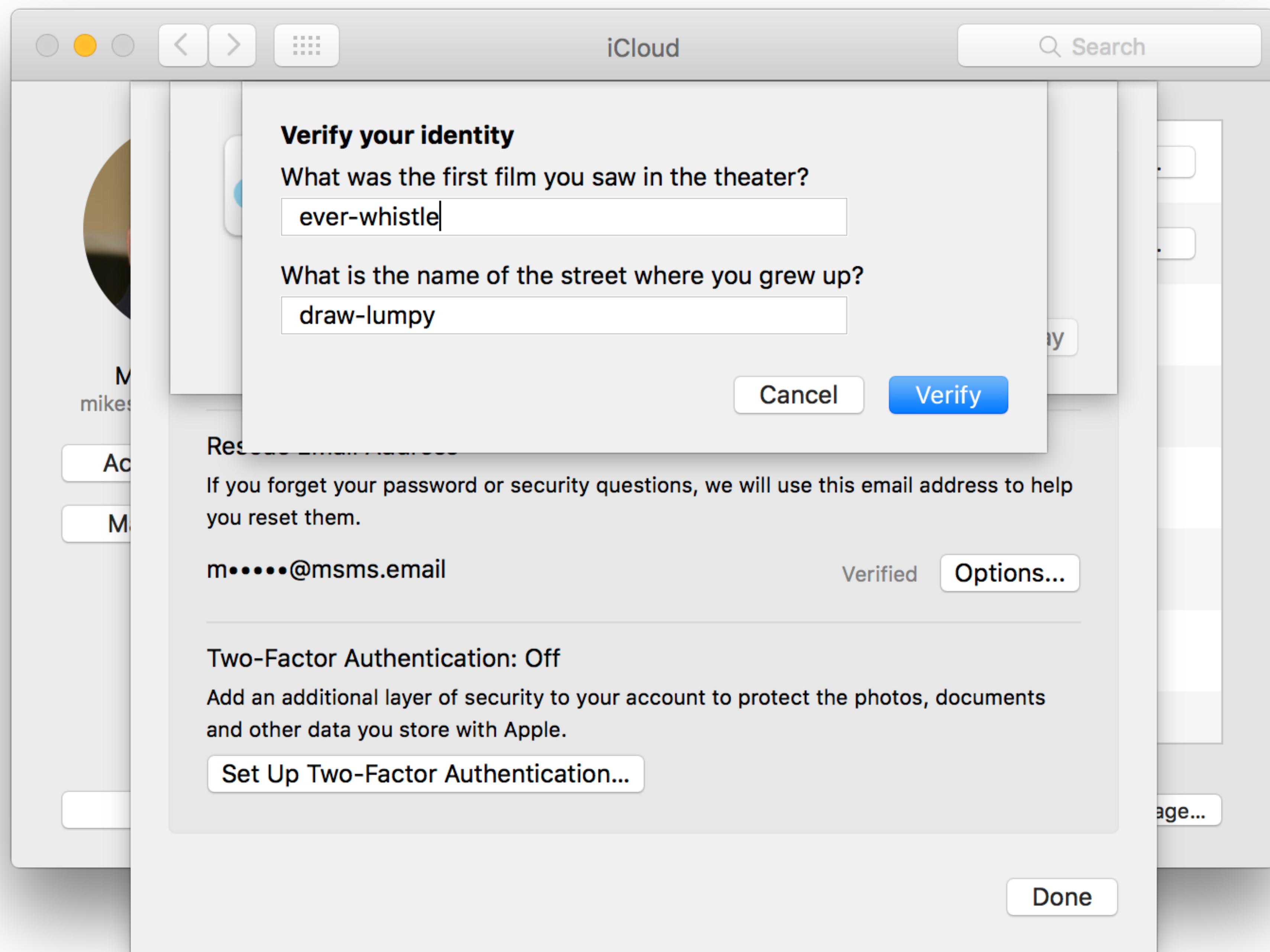
Verified

[Options...](#)**Two-Factor Authentication: Off**

Add an additional layer of security to your account to protect the photos, documents and other data you store with Apple.

[Set Up Two-Factor Authentication...](#)[Done](#)





See info on security questions/answers system on handout

Your Apple ID is now protected with two-factor authentication. — Inbox

Apple

Today at 9:23 AM

A

To: Mike Sullivan

Reply-To: noreply@apple.com

Your Apple ID is now protected with two-factor authentication.

Dear Mike Sullivan,

Thank you for enabling two-factor authentication for your Apple ID (m●●●●●@mac.com).

Two-factor authentication is an additional layer of security designed to prevent unauthorized access to your account and protect the photos, documents, and other data you store with Apple.

From now on, whenever you sign in with your Apple ID on a new device or browser, you will verify your identity by entering your password plus a six-digit verification code sent to your other devices or a trusted phone number. To learn more, read the [FAQ](#).

Two-factor authentication was enabled on April 16, 2016 at 1:23:16 PM GMT.

If you didn't enable two-factor authentication and believe an unauthorized user has accessed your account, use the link below to return to your previous security settings. This link is available for a limited time.

[Turn off Two-Factor Authentication.](#)

Apple Support

[Apple ID](#) | [Support](#) | [Privacy Policy](#)

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Two-factor authentication is an additional layer of security designed to prevent unauthorized access to your account and protect the photos, documents, and other data you store with Apple.

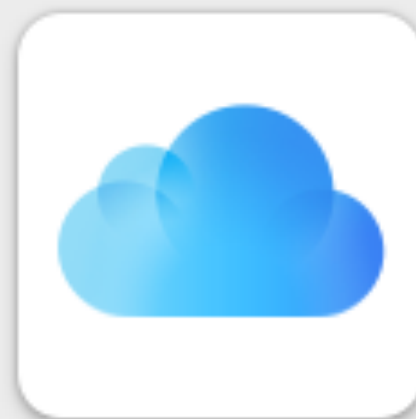
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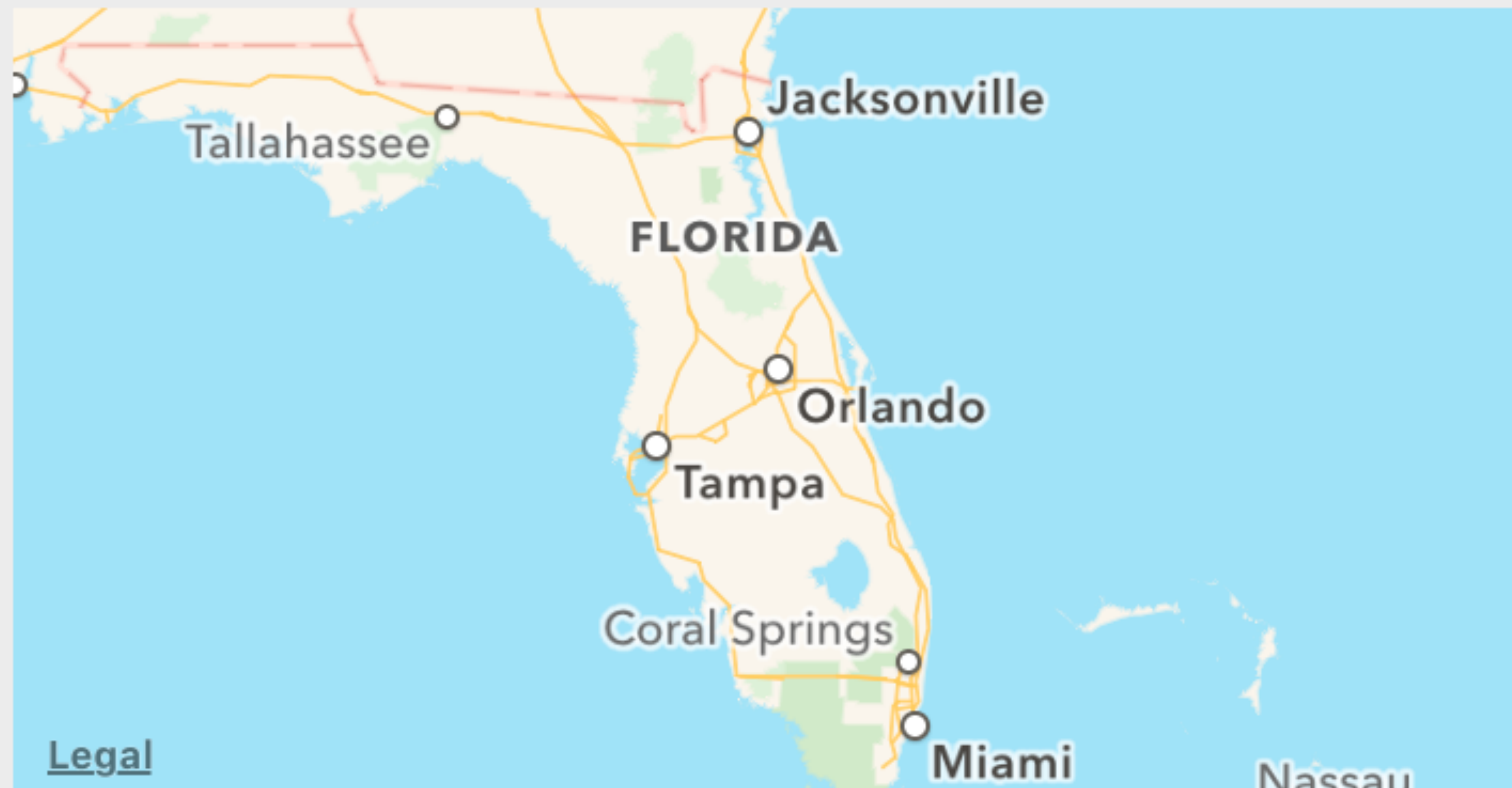
[Turn off Two-Factor Authentication.](#)

Apple Support



Your Apple ID is being used to sign in to a new device

Your Apple ID is being used to sign in to an iPhone near Kissimmee, FL.



Don't Allow

Allow



Your Apple ID is being used to sign in to a new device.

Enter this verification code on your iPhone to sign in.

5 2 2 0 2 6

Done

Handout

Two-Factor Authentication for Your Apple ID HOWTO

by Mike Sullivan | Cove Apple Club | April 27, 2016 | Source: Apple

Two-factor authentication is an extra layer of security for your Apple ID designed to ensure that you're the only person who can access your account, even if someone knows your password.

How it works

With two-factor authentication, your account can only be accessed on devices you trust, like your iPhone, iPad, or Mac.

When you want to sign in to a new device for the first time, you'll need to provide two pieces of information—your password and the six-digit verification code that's automatically displayed on your trusted devices. By entering the code, you're verifying that you trust the new device.

For example, if you have an iPhone and are signing into your account for the first time on a newly purchased Mac, you'll be prompted to enter your password and the verification code that's automatically displayed on your iPhone.

What you need to set up Two-Factor Authentication

- An iCloud account
- Your Apple ID & password
- At least one of the following devices:
 - iPhone, iPad, or iPod touch with iOS 9
 - Mac with OS X El Capitan and iTunes 12.3
 - Apple Watch with watchOS 2
 - Apple TV (4th generation) with tvOS
 - Windows PC with iCloud for Windows 5 and iTunes 12.3.3

Setting up Two-Factor Authentication is a one-time, five-minute process. Enabling it adds an incredibly strong extra layer of security to your iCloud account, helping keep you safe from hackers, identity theft and other online threats.

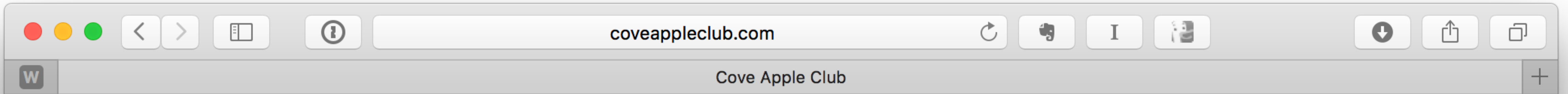
MAKE SURE YOU KEEP NOTES AND RECORD ALL YOUR APPLE ID INFORMATION, including your Apple ID security questions and answers, in **1Password** or another trusted password manager. For help with creating strong, hacker-proof security questions and answers using Mike's easy-to-use, foolproof system, see our Cove Apple Club presentation archive from April 8, 2015, "*The Big Problem with Security Questions & Mike's Workaround*." Visit coveappleclubarchives.com to download the PDF.

To set up Two-Factor Authentication, read the information and follow the steps in the Apple Support document at:

<https://support.apple.com/en-us/HT204915>

Support the Cove Apple Club





COVE APPLE CLUB

Have fun & do more with your Apple gear!

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SHARE. LEARN. LAUGH!

Join **over 100 Cypress Cove residents and members** in the Cove Apple Club, and you'll learn more and get a lot more fun and productivity out of all your Apple gear!

We meet twice a month, year-round. Check our [upcoming meeting schedule](#) and plan to join us at our next meeting!

If you're new to the world of Apple, an old Machead from years back, or even a frustrated Windows user, you will find something interesting and entertaining at each of our meetings. Our meetings are fun and informative, with topics presented covering the range from beginner to advanced.

Our focus is on Apple products, but we often also look at other new technologies not specific to the Apple platform, ranging from computer security to Internet telephony to changes in the industry to neat new tech gadgets of interest to everyone.

All Apple products are fair game at our meetings: iPad, iPhone, iPod and Macs of all sizes, as well as the huge world of Apple software, hardware and accessories.

Find out more about the club, our meeting schedule and how you can get in on the fun. Click the links below for details, and be sure to join our [email list](#) for all the latest updates.





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SUPPORT THE COVE APPLE CLUB WHEN YOU SHOP AT AMAZON.COM

The next time you need some new Apple or other tech gear (or anything else from the 20,000,000 items in stock!), start your online shopping session with our link to Amazon.com. Your purchase will earn a little money for the Cove Apple Club, which we save up all year for a big Holiday Party for all members of the club! We update club members on the earnings every month.

So be sure to click the Amazon logo below when you need to shop for Mac products online...and “give back” to the Cove Apple Club -- without costing you an extra cent! Thanks!

THREE EASY WAYS TO USE THE AMAZON SHOPPING LINK

1. Just click here — you'll be sent to the Amazon.com homepage.
 1. Once you arrive at the Amazon homepage, BOOKMARK that page:
 1. In Safari on Mac, type Cmd-D
 2. In Safari on iOS, tap the Share widget, then tap Add to Favorites or Add Bookmark.
2. Drag this link to your Favorites bar in your Web browser. Then it's handy anytime you want to visit Amazon.
3. Just click the Amazon banner ad below.



2016 YTD

Summary

\$621.70

Fees

\$621.70

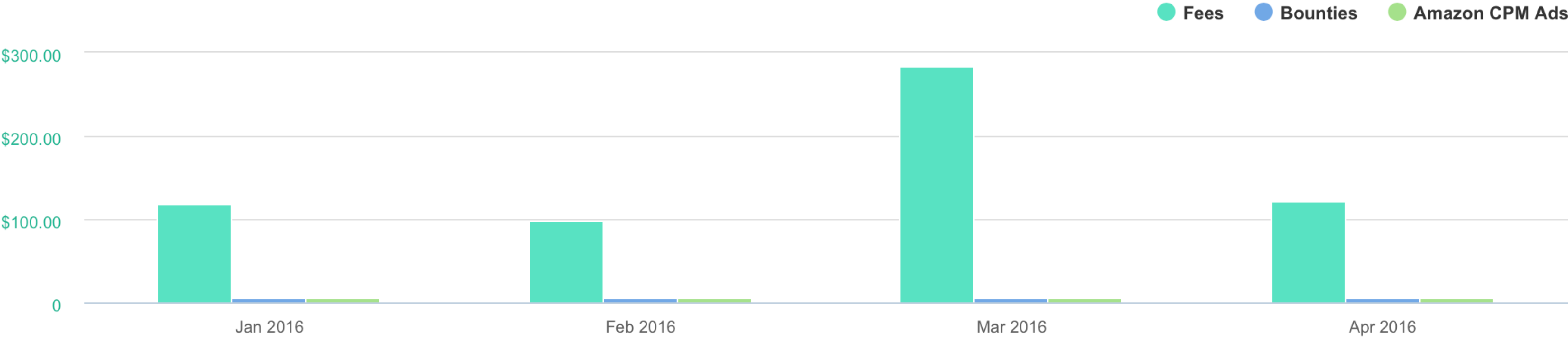
Bounties

\$0.00

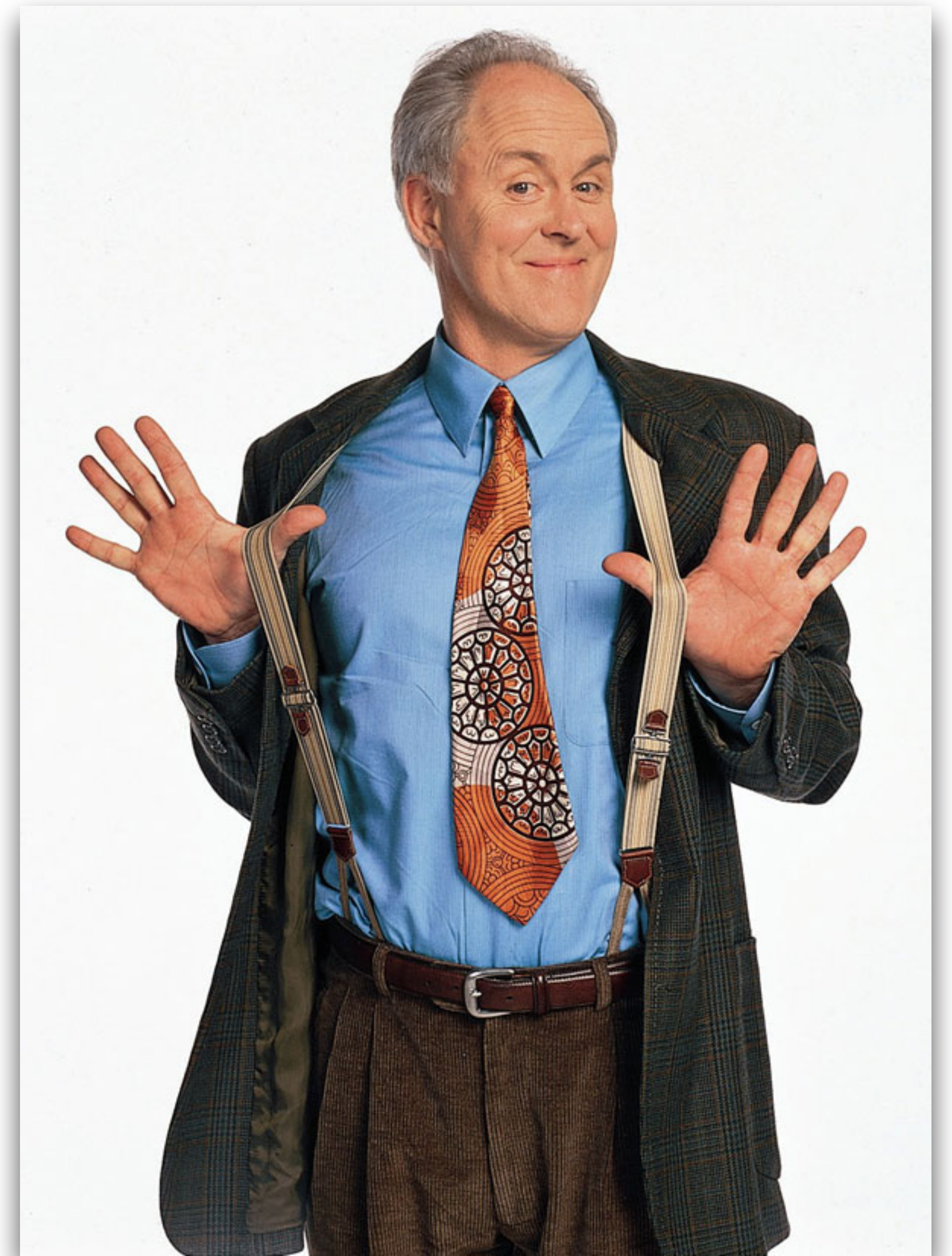
Amazon CPM Ads

\$0.00

[Get Started with CPM Ads](#)



A Graceful Recovery From a Near- Catastrophe



John Lithgow, wearing a
Belt **AND** Suspenders

A Funny Thing Happened
on the Way Back from
Grand Rapids...

Our Chase Sapphire VISA card was compromised.

Chase Fraud Alert Services called us asking if we had purchased \$220 worth of clothes at a Marshall's store in Pittsburgh!



But What About the Chip?



But What About the Chip?

- Isn't the EMV chip supposed to prevent credit card fraud?



But What About the Chip?

- Isn't the EMV chip supposed to prevent credit card fraud?
- **YES**, at the point of purchase



But What About the Chip?

- Isn't the EMV chip supposed to prevent credit card fraud?
- **YES**, at the point of purchase
- **IF** the merchant has an EMV reader



But What About the Chip?

- Isn't the EMV chip supposed to prevent credit card fraud?
- **YES**, at the point of purchase
 - **IF** the merchant has an EMV reader
 - **AND** the card is presented



But What About the Chip?

- Isn't the EMV chip supposed to prevent credit card fraud?
- **YES**, at the point of purchase
 - **IF** the merchant has an EMV reader
 - **AND** the card is presented
- There are 46,000 **other ways** your credit card can be compromised that have nothing to do with the EMV chip!



So What Happened?

So What Happened?

- Chase Fraud Alert stopped the charge & notified us

So What Happened?

- Chase Fraud Alert stopped the charge & notified us
- We confirmed that the charges were not valid

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- ***While on the phone*** with them:
 - They cancelled the old account number

So What Happened?

- Chase Fraud Alert stopped the charge & notified us
- We confirmed that the charges were not valid
- ***While on the phone*** with them:
 - They cancelled the old account number
 - Instantly disabled, then re-enabled the Chase Sapphire Card in Apple Pay with a new account number

So What Happened?

- Chase Fraud Alert stopped the charge & notified us
- We confirmed that the charges were not valid
- ***While on the phone*** with them:
 - They cancelled the old account number
 - Instantly disabled, then re-enabled the Chase Sapphire Card in Apple Pay with a new account number
 - Ordered us new cards, plus a free prepaid return mailer for the old cards

So What Happened?

- Chase Fraud Alert stopped the charge & notified us
- We confirmed that the charges were not valid
- ***While on the phone*** with them:
 - They cancelled the old account number
 - Instantly disabled, then re-enabled the Chase Sapphire Card in Apple Pay with a new account number
 - Ordered us new cards, plus a free prepaid return mailer for the old cards
- So we're safe — but now what do we have to do?

Everything Was Hooked Up to That Card!

Everything Was Hooked Up to That Card!

- All our auto-pay accounts:

Everything Was Hooked Up to That Card!

- All our auto-pay accounts:
 - Netflix, Apple, Cypress Cove, Sunpass, Brighthouse, Consumer Cellular, USPS, etc., etc.

Everything Was Hooked Up to That Card!

- All our auto-pay accounts:
 - Netflix, Apple, Cypress Cove, Sunpass, Brighthouse, Consumer Cellular, USPS, etc., etc.
- What a hassle!

To The Rescue!



 Pay

Recovery Plan:  Pay




Recovery Plan: Pay

- While waiting for new physical cards to arrive, use  Pay to pay at POP




Recovery Plan: Pay

- While waiting for new physical cards to arrive, use  Pay to pay at POP
- New account number is obfuscated, but Touch ID authenticates transactions



Recovery Plan: Pay

- While waiting for new physical cards to arrive, use  Pay to pay at POP
- New account number is obfuscated, but Touch ID authenticates transactions
- Wait for new cards to arrive before next steps



Recovery Plan: Evernote



Recovery Plan: Evernote

- All Chase Sapphire account statements are stored in Evernote



Recovery Plan: Evernote

- All Chase Sapphire account statements are stored in Evernote
- Use Evernote's Search feature to find all statements going back four months



Recovery Plan: Evernote

- All Chase Sapphire account statements are stored in Evernote
- Use Evernote's Search feature to find all statements going back four months
- Review list of auto-payees



Recovery Plan: 1Password



Recovery Plan: 1Password

- Duplicate (Cmd-D or Item → Duplicate)
Chase Sapphire card item in 1Password



Recovery Plan: 1Password

- Duplicate (Cmd-D or Item → Duplicate)
Chase Sapphire card item in 1Password
- Change account number / exp date / CVV
for new card



Recovery Plan: 1Password

- Duplicate (Cmd-D or Item → Duplicate)
Chase Sapphire card item in 1Password
- Change account number / exp date / CVV
for new card
- Delete old Chase Sapphire card item



Recovery Plan: 1Password

- Duplicate (Cmd-D or Item → Duplicate)
Chase Sapphire card item in 1Password
- Change account number / exp date / CVV
for new card
- Delete old Chase Sapphire card item
- Use 1Password to visit, login and update
CC info for affected online accounts, ***all
without ever typing in any info!***





 Pay

Demo!

The moral of our story:



 Pay



The moral of our story:

- The best time to prepare for an emergency is ***before*** you have one



The moral of our story:

- The best time to prepare for an emergency is ***before*** you have one
- Good practices pay off.



The moral of our story:

- The best time to prepare for an emergency is ***before*** you have one
- Good practices pay off.
- Choose good tools and **THEN USE THEM.**



WWDC Watch Party!

JUN

13

WWDC Watch Party
12:30 PM - 2:30 PM

Our Next Meeting

MAY

11

Cove Apple Club
7:00 PM - 8:15 PM

Let's Adjourn
to Cheeks!

