

# **EXHIBIT 42**

**FILED UNDER SEAL**

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## MEMORANDUM

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TO: Dale Sohn, Joseph Cheong  
FROM: Johnny Hart and Tim Sheppard  
DATE: January 12<sup>nd</sup> 2011  
SUBJECT: Sprint Quality Claim for 2010 - [REDACTED]

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### I. Executive Summary

On December 1, 2010 Sprint Management presented to STA CEO data implying STA quality is driving [REDACTED] of excess costs to Sprint and made recommendations for quality improvement.

Our STA analysis shows that the key issue is related to the [REDACTED]. As of December Sprint believes that the financial impact has increased to almost [REDACTED] for this device up from the [REDACTED] presented on December 1. This mass android device has a more than [REDACTED] return rate and Sprint has formally asked for the device to be [REDACTED].

STA's Sales, Service and Product Management teams have discussed with Sprint's Quality team and agreed to improve operational communications:

The first Taskforce meeting with Sprint was held January 11<sup>th</sup> and will be held weekly hereafter.

### II. Immediate Recommendations

After a discussion with HQ CS team and STA CFO we propose that STA agrees to pay [REDACTED] as a full and final settlement of 2010 and prior quality issues as a one time settlement. [STA accounting fully accrued [REDACTED] in the 2010 financials]

Accelerate the implementation of the Sprint recommendations through the weekly STA/Sprint Taskforce

### III. Quality Data

#### A. Exchange Data

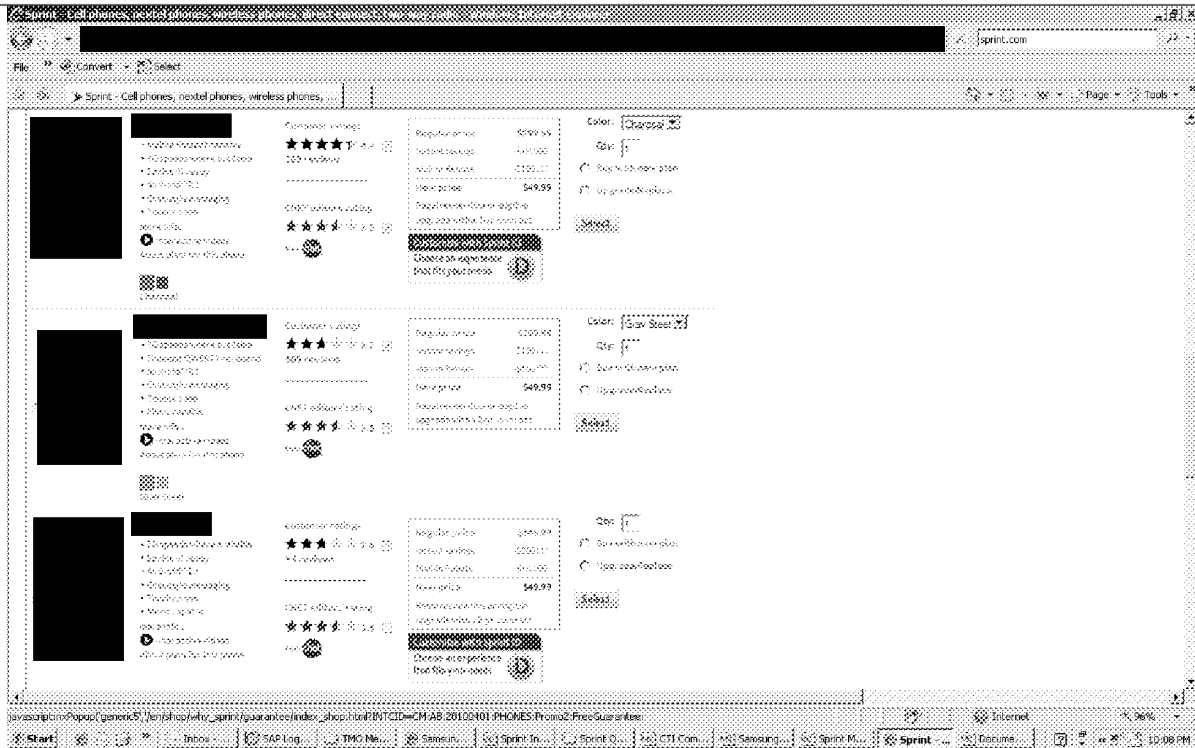
**indicated by Sprint on 12/1/10 PowerPoint**

Device	R/E Rate	Avg R&E rate above 'normal'	Incremental Exchanges	Cost per Unit	Total Excessive Cost to Sprint
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	<b>\$ [REDACTED]</b>

Sprint's method for calculating the data above has been analyzed and reported on separately.

The key point in the above is that STA devices were compared to a "best in class" android device over their life. Based on this best device, the return rate at each month during the life cycle was compared and difference in number of devices was [REDACTED]. Sprint then showed that the impact on their business was this incremental return volume multiplied by the purchase price. The purchase price is not a reasonable number to use in most cases we would have thought that the actual cost of repair [REDACTED] would be more fair.

On Sprint's own website the [REDACTED] device has a rating of [REDACTED] by consumers as compared to [REDACTED] for the best android device at the [REDACTED] price. See below



Consumers rate performance as a significant weakness.

Customer ratings - 509 reviews

★★★☆☆  
2.7

Battery life	★★★☆☆	2.7
Look & feel	★★★★☆	3.9
Media (software)	★★★☆☆	3.3
Performance	★★☆☆☆	2.4
Phone features	★★★★☆	3.4
Value	★★★☆☆	2.8

**B. High Rate Major Issues**

Latest Service Data				Sprint Data
Nov. Returns Processed	Top IW Repairs for November	Quantity Repaired	% of top failure for November	Top Complaints
[REDACTED]	TSP Failure	[REDACTED]	[REDACTED]	[REDACTED]
	LCD Failure	[REDACTED]	[REDACTED]	[REDACTED]
	Slide Failure	[REDACTED]	[REDACTED]	[REDACTED]
	Proximity Sensor	[REDACTED]	[REDACTED]	[REDACTED]
	Charging Failure	[REDACTED]	[REDACTED]	[REDACTED]

The software issues per Sprint are further subdivided in 3 major areas: Sluggish performance, device locking up and data freezing.

**IV. Process Improvements**

STA's Sales, Service and Product Management teams have discussed with Sprint's Quality team and agreed to improve operational communications:

The first Taskforce meeting with Sprint was held January 11<sup>th</sup> and will be held weekly hereafter. The team will implement the following:

Create Joint Task Force to Review Issues Identified in the PowerPoint from Sprint.

Reduce high NTF rates:

1. Develop tight collaboration in understanding Customer Returns. (TCO)
2. Create a Tiger team to analyze store returns and discuss directly with end consumers
3. Create data sharing link to Sprint website to capture consumer feedback

Establish a twice a month Operational Review Meeting.

Review entire SKU portfolio in detail

Restart QBR Process. Start with sharing monthly data for the scoreboard and also non scoreboard financial data used by Sprint management.