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AGMA AND KPMG SPOTLIGHT COUNTERFEITING AS SIGNIFICANT THREAT TO INFORMATION TECHNOLOGY SECTOR

Whitepaper Highlights Dangers and Early Warning Signs of IT Counterfeiting; Offers Detection and Prevention Strategies

FREMONT, Calif., August 16, 2005 – The Alliance for Gray Market and Counterfeit Abatement (AGMA), today announced it has teamed with KPMG LLP, the audit, tax and advisory firm, to issue a whitepaper titled “Managing the Risks of Counterfeiting in the Information Technology Industry.” As counterfeiting becomes one of the most challenging issues for the IT industry, with illegal replicas of brand name high technology products flooding the marketplace, AGMA and KPMG collaborated to reveal the threat of this growing activity and present working solutions.

The whitepaper is a result of a study conducted jointly by AGMA and KPMG to help IT executives better understand the risks introduced by counterfeiting and the steps that can be taken to mitigate that risk. AGMA is a non-profit organization whose mission is to promote best practices in the industry for preventing technology products from entering the gray market and from being counterfeited. AGMA believes manufacturers who adopt a comprehensive program targeting the sale and distribution of counterfeit high tech products will have more success in protecting consumers from poor quality goods as well as securing the brand integrity inherent in their products.

Despite the sophisticated design and complex manufacturing of most IT products, counterfeiting is a pervasive problem. As many as one in ten IT products sold may actually be counterfeit, according to interviews conducted with electronics industry executives. AGMA and KPMG estimate that about US\$100 billion of global IT industry revenue is lost to counterfeiters annually. In addition, estimates by the International

Chamber of Commerce suggest that counterfeit goods accounted for 6 percent of world trade in 2003, valued at US\$456 billion. By reducing revenue and harming brand equity, counterfeiting IT and electronics products are eroding the integrity of the “supply and demand” business model.

“Counterfeiting is one of the most significant threats to the free market,” says Richard Girgenti, partner in charge of the KPMG ForensicSM practice for the Americas. “It not only steals the value of intellectual capital, it stifles innovation and robs customers of the quality they expect from a brand.”

Counterfeit IT products are generally hawked over the Internet instead of on street corners, therefore most end users are not aware that certain goods are counterfeit at the time of purchase. “A good rule of thumb is to be aware that very low prices may indicate a counterfeit purchase,” said Nick Tidd, AGMA’s newly elected President and Chairman. “Suspect sources should also draw a red flag. It’s a best practice for IT manufacturers to encourage their end customers to buy directly from the manufacturer or from reliable resellers, which can be located by visiting the manufacturer’s company website.”

For the IT industry, the problem of counterfeiting is relatively recent. When conducting research for this whitepaper, KPMG interviewed executives in industries where counterfeiting has been a long-standing problem—including pharmaceuticals, packaged goods, and motor vehicles—to learn from their experience. The research revealed many similarities between IT and more mature industries regarding early warning signs of counterfeiting and the countermeasures being applied.

The AGMA-KPMG whitepaper provides detailed insight into early warning signs that can signal when a company has a counterfeiting problem including:

- Sudden drop in raw-materials orders
- Increased orders for proprietary components
- Increased grey-market availability
- Increase in service returns
- Large volume of discounted product available

The whitepaper also offers anticounterfeiting tactics that can bolster a holistic prevention, detection and response strategy. These tactics were identified by executives

of leading high tech companies, including techniques pioneered by mature industries that are now being adopted by leading electronics companies.

No anticounterfeiting effort is entirely foolproof, but the better ones can make a significant difference. AGMA urges technology companies to educate themselves about the dangers and warning signs of counterfeiting. The AGMA-KPMG whitepaper provides a useful tool for companies who are starting to initiate education and training programs that can help mitigate the threat of counterfeiting. A copy of this whitepaper can be obtained at www.agmaglobal.org.

About AGMA

AGMA is a non-profit organization comprised of influential companies in the technology sector including founding members 3Com Corporation [NASDAQ: COMS], Cisco Systems, Inc. [NASDAQ: CSCO], HP [NYSE, Nasdaq: HPQ], and Nortel [NYSE/TSX: NT]. Incorporated in 2001, AGMA's mission is to mitigate the gray marketing and counterfeiting of technology products around the globe. The organization's goals are to protect the authorized distribution channels and intellectual property of authorized goods to improve customer satisfaction and preserve brand integrity. AGMA is open to any technology manufacturer that owns a branded IT product. For more information, please visit www.agmaglobal.org.

About KPMG LLP

KPMG LLP is the audit, tax and advisory firm that has maintained a continuous commitment throughout its history to providing leadership, integrity and quality. The Big Four firm with the strongest growth record over the past decade, KPMG turns knowledge into value for the benefit of its clients, people, communities and the capital markets. Its professionals work together to provide clients access to global support, industry insights, and a multidisciplinary range of services. KPMG LLP (www.us.kpmg.com) is the U.S. member firm of KPMG International. KPMG International's member firms have nearly 94,000 professionals in 148 countries.

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