2015 BDO TECHNOLOGY RISKFACTOR REPORT

TECHNOLOGY RISKS HEAT UP AMID FIERCE COMPETITION

The ***2015 BDO Technology RiskFactor Report*** examines the risk factors listed in the most recent annual shareholder reports of the 100 largest publicly traded U.S. technology companies by revenue. The risk factors were analyzed and ranked in order of frequency cited.

Technology companies face an incredible challenge today: get smarter, faster, and bigger, or be left behind. In this heated environment, with a constant pressure to innovate, companies are also contending with a host of business challenges behind the scenes. Regulatory compliance, talent management, M&A success, data security and international exposures cannot be ignored in the race to compete.

COMPETITION TRIGGERS BATTLE FOR TALENT AND ACQUISITIONS

According to our eighth annual ***Technology RiskFactor Report***, all of the 100 largest public technology companies in the U.S. mention risks related to competition in their annual filings. However, competition isn't limited to only product development and pricing. Increasingly, competition for human capital is really heating up as hiring becomes a top priority for leading technology firms. As such, 95 percent of companies mention concerns

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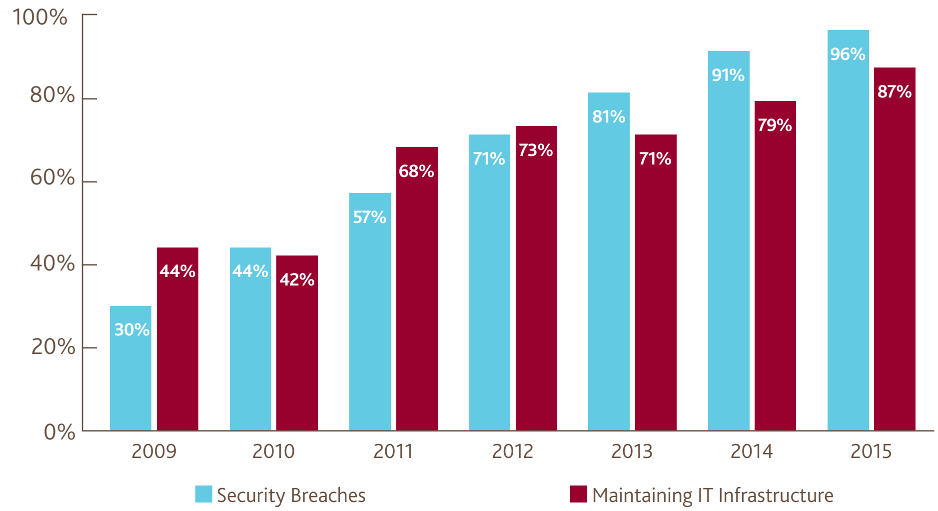
"Opportunities abound in the tech industry, so much so that companies are fiercely competing with one another to develop and introduce innovative products at a rapid pace while maximizing efficiency," said Aftab Jamil, partner and leader of the Technology and Life Sciences Practice at BDO USA, LLP. "More companies are turning to acquisitions as a critical element of their strategies to enhance their technology and product offerings, which brings other challenges to the forefront, such as managing the integration of acquired businesses, international growth, complying with new regulations and mitigating additional risks by maintaining appropriate internal controls."

over their ability to attract and retain key personnel, up from 81 percent in 2014.

With companies increasingly turning to acquisitions as part of their overall business strategy, more companies are highlighting M&A risks, specifically those relating to the successful completion and integration of current or future transactions compared to last year (99 percent of companies in 2015, versus 94 percent in 2014). In May, FactSet, a financial data and software company, reported that M&A deal activity in the technology sector has seen 79 more deals over the past three months in 2015 compared to the same period in the previous year (440 deals, versus 519 deals).

Risks Related to Cyber Attacks and IT Systems



COMPANIES ON ALERT WITH EVER-CHANGING REGULATORY ENVIRONMENT AND INCREASED COMPLIANCE

All 100 companies analyzed this year cited concerns related to federal, state or local regulations and their ability to comply with new laws as non-compliance can impact a company's bottom line and its reputation among its customers. Even though the new revenue recognition standard was announced last May, many companies remain unsure of how to navigate and implement the new rules. As rules and regulations change and regulatory bodies increase their oversight, 92 percent of companies cite accounting, internal controls and compliance risks, a significant increase from 79 percent last year. Such increase is consistent with findings in the recent *BDO Technology Outlook Survey* found that 57 percent of CFOs at leading technology companies have not yet fully familiarized themselves with the new standard and the associated implementation issues.

Moreover, as increasing number of companies turn to acquisitions, additional accounting risks are coming to the forefront. This year, 67 percent of companies cite goodwill impairment concerns in their filings, up from 57 percent in 2014.

CYBERSECURITY RISKS NOW AT TOP OF AGENDA

The recent IRS data breach is only the latest of near constant headlines on security issues. According to a report released by Ponemon Institute, 43 percent of companies experienced a data breach in 2014, which is up 10 percent from the year before. With cybersecurity threats becoming more prevalent across various industries, the number of companies disclosing security concerns have escalated significantly since 2009 (96 percent this year, versus 30 percent in 2009), and businesses are also concerned about their own infrastructure. Eighty-seven percent of companies note risks when it comes to maintaining or implementing operational infrastructure, up from 79 percent in 2014. And tech companies are taking action to amplify their cybersecurity measures and dedicating resources to protest their assets. BDO's ***2015 Technology Outlook Survey*** found that 67 percent of technology finance

"Companies that sell software and maintenance services, or that sell [their products] through distribution channels are those we think will be largely impacted by the new [revenue recognition] rules," said Aftab Jamil, in an interview with *The Wall Street Journal*.

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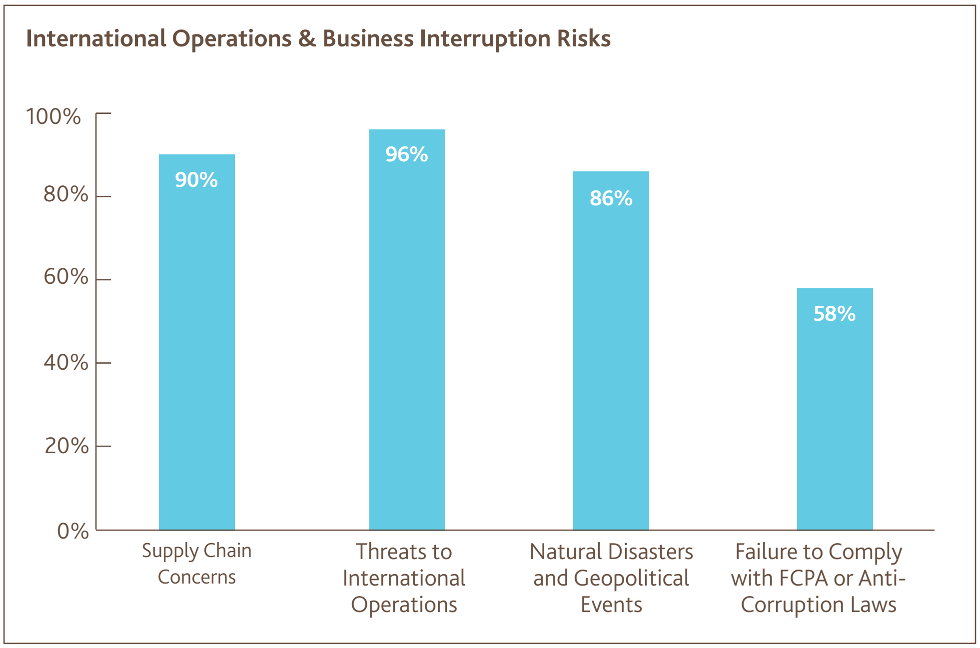
"For many years, the U.S. was the primary, if not sole, prosecutor with regards to anti-corruption. However, the number of countries implementing and enforcing their own anti-corruption laws has substantially increased, requiring multinational companies to tackle compliance on a global scale," said **Nina Gross, managing director at BDO Consulting and a leader within the firm's Global Forensics Practice**. "While anti-corruption is an industry-agnostic issue, the technology sector faces scrutiny from government regulators, such as the DOJ and SEC, shareholders and gatekeepers to ensure that they detect and remediate instances of FCPA violations. As such, designing robust anti-corruption internal controls and compliance programs should be a priority business focus."

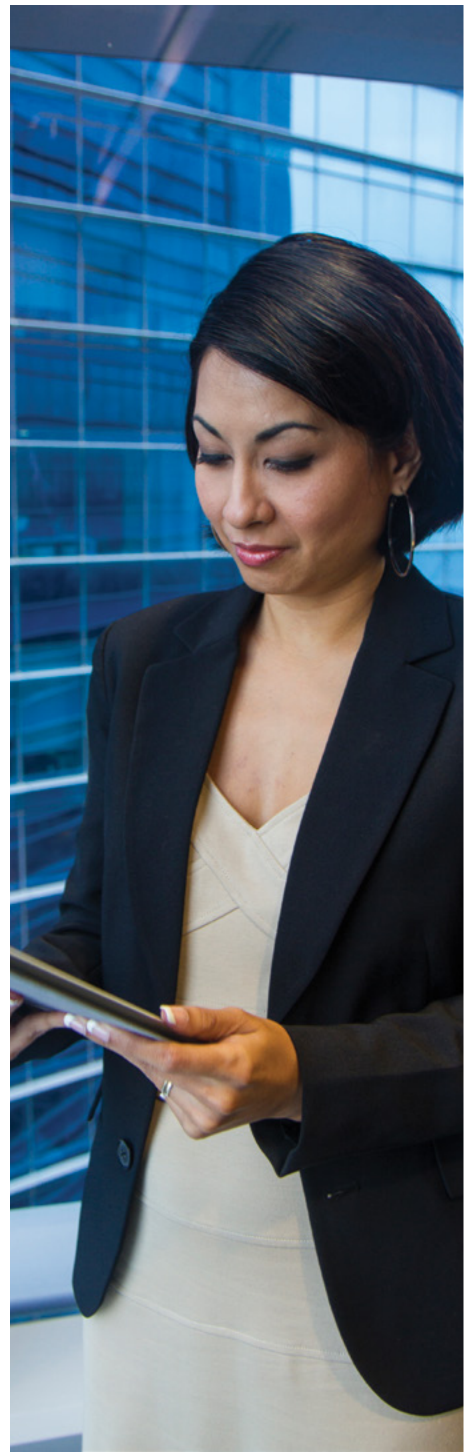


chiefs have increased their spending on cybersecurity measures during the past year due to recent cyberattacks on well-known organizations. With companies on edge about cybersecurity breaches, many are also apprehensive about corporate copyright, intellectual property infringement and trademark violations (93 percent).

EXPANSION PROMPTS INTERNATIONAL OPERATIONS CHALLENGES

As competition shapes the industry, technology companies are increasingly looking abroad to open up new avenues for growth and profitability. One in five of the 100 CFOs BDO surveyed earlier this year expect international expansion will be the key driver of industry growth in 2015, a significant increase in the number of CFOs expressing similar sentiment in 2014 (eight percent). However, global expansion exposes companies to many new challenges. Specifically, 96 percent of companies cite threats to international operations and sales, up from 89 percent in 2014. Moreover, 58 percent mention concerns over compliance with the Foreign Corrupt Practices Act (FCPA), anti-corruption laws and anti-bribery laws, and 90 percent cite risks related to supplier and vendor as well as global distribution. Meanwhile, companies are also highlighting operation concerns outside of their control, with 86 percent citing risks related to natural disasters, war and terrorist attacks.

BDO's report also finds that concerns around regulation of conflict minerals—tracked for the first time this year—is top of mind for a significant number of companies (36 percent), which could be related to a company's priority to manage its supply chain and maintain compliance, particularly when it comes to its global distribution channels.



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Top 25 Risk Factors for the 100 Largest U.S. Technology Companies					
2015 Rank	**Risk Factors**	**2015**	**2014**	**2013**	**2012**
1.	Federal, state or local regulations	100%	98%	96%	98%
1t.	Competition in the tech industry, pricing pressures	100%	99%	95%	99%
3.	Management of current and future M&A and divestitures	99%	94%	88%	88%
4.	Threats to international operations and sales	96%	89%	82%	85%
4t.	Breaches of technology security, privacy or theft	96%	91%	81%	71%
6.	Failure to properly execute corporate strategy	95%	91%	87%	88%
6t.	Ability to attract or retain key personnel	95%	81%	80%	82%
8.	U.S. general economic conditions	94%	95%	92%	98%
9.	Corporate copyright, IP infringement, trademark violations	93%	88%	79%	80%
9t.	Legal proceedings, litigation	93%	91%	74%	83%
11.	Accounting, internal controls and compliance standards	92%	79%	65%	69%
12.	U.S. and foreign supplier/vendor and distribution concerns	90%	93%	84%	88%
12t.	Predicting customer demand and interest, innovation	90%	92%	83%	91%
14.	Failure to develop or market new products or services	89%	84%	75%	93%
15.	Ability to maintain or implement operational infrastructure	87%	79%	71%	73%
16.	Natural disasters, war, conflicts and terrorist attacks	86%	89%	75%	88%
16t.	Equipment failure and product liability	86%	82%	69%	80%
18.	Indebtedness	72%	74%	65%	50%
19.	Cyclical revenue and stock fluctuation	69%	70%	62%	76%
20.	Inability to acquire capital, credit ratings	68%	74%	57%	69%
21.	Goodwill impairment	67%	57%	39%	31%
22.	Labor concerns	64%	83%	55%	56%
23.	Failure to comply with FCPA, anti-corruption and anti-bribery laws	58%	48%	29%	N/R
24.	Environmental or health compliance and liability	56%	52%	46%	48%
25.	Seasonality/cyclicality	55%	55%	34%	43%

*t – indicates a tie in the risk factor ranking

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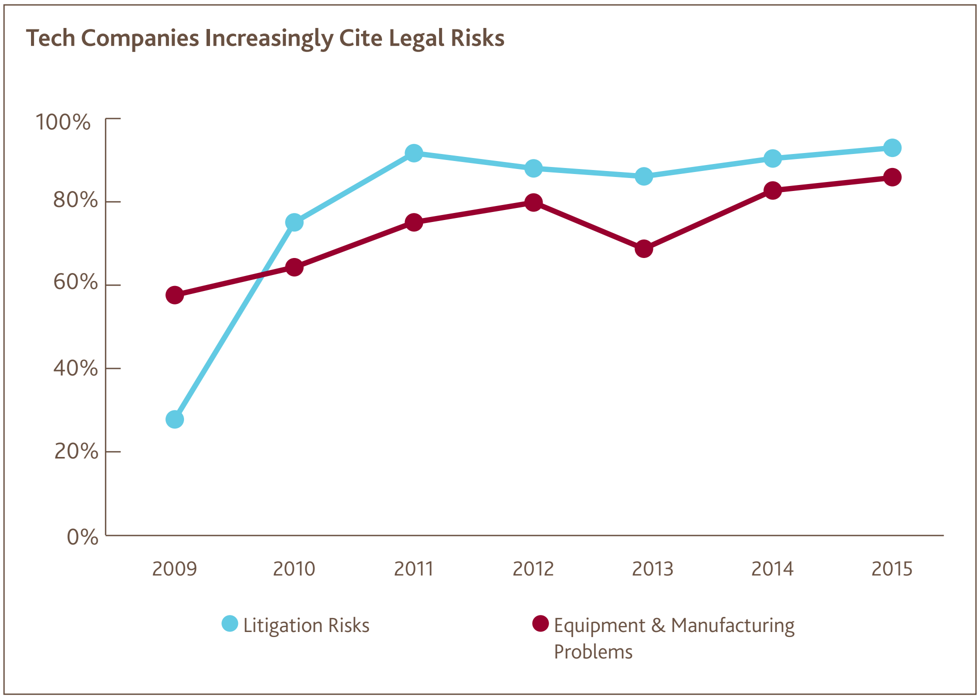

PRODUCT UNCERTAINTIES FUEL LITIGATION CONCERNS

Litigation can be a costly and time-consuming distraction to management and key stakeholders, making it a significant threat to technology companies. As such, 93 percent of companies cite risks associated with legal proceedings, compared to 91 percent in 2014.

Technology companies are always on high alert when it comes to the quality of their products and services. Any equipment failure, manufacturing problem, delay, recall or product liability can lead to legal consequences. In fact, 86 percent of businesses mention risks related to their product quality in their filings, up from 82 percent last year. Further, as patent litigation remains common throughout the industry, many companies are concerned that legal proceedings will stifle innovation, reduce capital investment and research and development, according to *The Huffington Post*.

Shifting regulations, extreme competition and evolving business models will continue to mold the technology industry and determine how companies will achieve their business goals. However, as long as companies remain well-informed of regulatory updates and implement proper internal controls and processes, they will be armed with the necessary tools and information to properly mitigate risks and detect many business interruptions before they occur.

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