



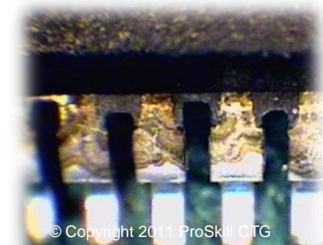
ProSkill Consulting and Training Group

"Current Strategies for Mitigating Counterfeit Components"

By: Rick Stanton - PRO-STD-001 Course Director/Corporate VP of Quality

It's well known that counterfeiting has been linked to organize crime throughout the world. Counterfeiting has been shown to support terrorism and something we need to absolutely take full notice. Reported by the U.S. News & World Report counterfeiting of the Disney animated film The Lion King helped finance a terrorist group with ties to the Irish Republican Army. A counterfeit T-shirt operation paid money to an Egyptian sheik to help pay for the 1993 attack on the World Trade Center in New York City. In Lebanon, by counterfeiting computer software a terrorist group was funded. Currently and documented by the Department of Commerce, Counterfeit Electronic components have now infiltrated 40% of the US Pentagon's supply chain. No longer can we turn a deaf ear or look the other way.

IC - Leads



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Contaminated Leads-Blacktopped

The subject is nothing to be ashamed of embarrassed about if counterfeit material invades your immediate supply chain. It has reached an epidemic level worldwide, the effects are astonishing, in our research, 98% of the organizations ProSkill CTG has worked with in one form or another has been affected by counterfeit electronic components. We don't speculate to state every major and minor contract

Gold Plated Module Lead



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Lead Re-Attachment

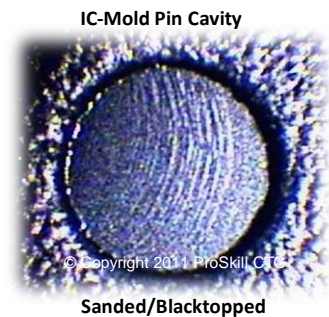
manufacturer in the world has had their "run-in" with suspect counterfeit electronic components. The problem has escalated over the past few years, making product sales from counterfeiting astronomical, it is estimated that over 100 Billion dollars a year is made worldwide from the sale of counterfeit electronic components.

You might be asking yourself, what can I possibly do to insure and



prevent my business from being a victim of counterfeit components? The answer is a mandatory and aggressive Counterfeit Component Prevention Procedure. Start by strengthening controls on internal purchasing procedures and supplier approval requirements, including a tightened supplier

flow down process. All processes related to suspect counterfeit material must be governed by a solid standard/guide such as the SAE AS5552, and Certificate Training programs like PRO-STD-001 a current industry standard and certificate course used in the prevention of counterfeit components, a formative and useful tool used in the mitigating process. PRO-STD-001 Trained and Certified counterfeit component inspectors use a current and thorough counterfeit component check point inspection system. This system affords traceability and demonstrates due diligence to your customer and or government officials such as the Defense Criminal Investigation Service (DCIS).



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The terms and conditions of a contract must state in detail information



regarding a "No Value Add" counterfeit component clause. The T/C must equivalently a no value add counterfeit material will be impounded upon OEM verification of counterfeit. OEM validated counterfeit material shall not be returned to the supplier under any circumstances.

An escrow accounting process is strongly recommended per contract terms and conditions. You must offer a guarantee to your customer that continuous and current counterfeit component inspection training is your prime objective

in seizing and mitigating counterfeit material. This is an important preventative process preventing the invasion counterfeit components into your supply chain. A due diligent and best practice approach.

It can't be stressed enough that currently trained and certified suspect counterfeit component inspectors are your BEST tool or weapon against becoming a victim of counterfeit material. A PRO-STD-001 certified and trained counterfeit component inspector is a prime countermeasure in the prevention of counterfeit material, especially as counterfeiters improve their techniques of counterfeiting.

The attendance and participation to local trade organizations and the sharing of knowledge regarding counterfeit material is highly recommended. GIDEP or an equivalent industry data exchange program like IHS is helpful in reducing the risk of counterfeit material entering your supply chain. End of life and long lead material is normally listed in this type of database affording the benefit of what can be expected.



The new US counterfeit component law HR1540 Section 818 was signed into effect on December 31, 2012 by the President of the United States. Training organizations like ProSkill Consulting and Training group explain what this law actually means to you and your company.

Are you paranoid and tired of being defrauded by counterfeit parts ending up in your products? Quality contract manufacturing that includes a robust counterfeit parts protection program is an absolute must. The more information presented the more you will know about counterfeit components;

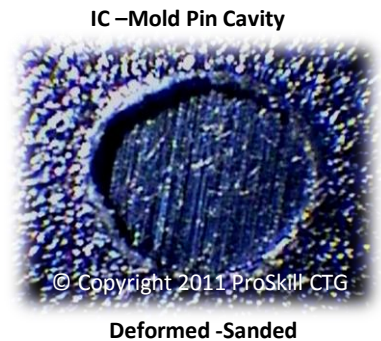
The greatest concern globally is a compromised national and international security or loss of life as counterfeit electronic components continue to saturate the supply chains around the world.

Electronic Manufacturing companies need to partner and work together and adhere to mitigating the risk of counterfeit components. Open conversation between industry, customers, and suppliers is critical to the

identification and management of risks associated with counterfeit components.

Improved incoming inspection tools and procedures are crucial and must be in-place for enhanced counterfeit component detection. Internal component lot traceability systems should be used to track components through the manufacturing process to the top level product/system.

The chance for infiltration of counterfeit components into the supply chain increases every step away from the component manufacturer. Original Equipment Manufacturers using EMS counterfeit prevention is a daunting chore. The OEM's exposure to the risks is directly tied to their Electronic Manufacturing Service provider's commitment to preventing counterfeit components from entering their supply chain. Selecting a well informed and subject educated EMS provider is critical in the prevention of counterfeit electronic components ending up in your Military, Medical, or Commercial equipment.



In closing, due diligence as mentioned is paramount as a strong defense against counterfeit material, never leave anything to chance. Maintaining your guard is keen strategy for mitigating risk. Preventing a counterfeit component invasion into your supply chain is absolutely possible providing a systematic reduction in the extent of exposure to risk is maintained.

Adhering to the points mentioned in this article will help you and your company reach a zero tolerance level in regards to counterfeit material entering your supply chain.

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Note: All component images of defect check sites/points in this document are of actual Suspect/Counterfeit Electronic Components found post attending ProSkill CTG's PRO-STD-001 Certification Training Course.