

GRAND PRIZE

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Emulex, Incorporated: A Crash Course in Crisis Management

A Friday Morning Turns Chaotic

The time was just before 7:30 a.m., PST, when Paul Folino, president and chief executive officer of the Emulex Corporation, arrived for work at the corporate headquarters in Costa Mesa, California. As Paul approached his office, he could already hear the incessant ringing of a telephone in the distance. Entering his workspace, Paul carefully placed his brief case on the desk and answered the impatient telephone. It was Kirk Roller, senior vice president of Emulex — and there was a very serious problem with the Company's stock. Kirk informed Paul that Emulex shares had lost substantial value in the early hours of trading. Mr. Roller went on to explain that a bogus press release, which contained several pieces of disparaging information about the Company, was the apparent cause of all the chaos.

Upon hearing the news, Paul immediately dropped the handset back onto the receiver and headed into the adjacent hallway. At the fax machine lay a transmitted copy of the false press release. As Paul scanned the document in disbelief, he switched on the office television set. The situation was actually much worse than he had initially feared. Emulex stock was in a total and complete free fall. And shares were literally losing ground by the second. [1]

A Chronology of Events

The events leading up to the cataclysmic decline of Emulex stock would have profound consequences as the hours passed on Friday, August 25, 2000. A chronology of these events is summarized in the paragraphs that follow.

Thursday, August 24, 2000

4:00 p.m. EST: The NASDAQ closes for the day. After an uneventful day of trading, Emulex shares close at \$113.06. [2] Late Thursday evening, Internet Wire, a distributor of company press releases to news organizations, receives a fictitious press release on behalf of the Emulex Company

from a public relations firm with the name "Porter and Smith PR." The language contained in the release appears credible to the small staff at the wire service during the late evening hours. Believing the document to be authentic and legitimate, Internet Wire begins preparation for a morning release.[3]

Friday, August 25, 2000

9:30 a.m. EST: The NASDAQ opens for business. As trading commences, Internet Wire issues the Emulex press release. The details of the release state that Emulex intends to revise company earnings downward for the fiscal quarter ended July 2, 2000 and that "Net earnings for fiscal 1998 and 1999 will also be revised." Internet Wire also reports that Emulex CEO, Paul Folino, has abruptly resigned. The Securities and Exchange Commission is said to be investigating the company's accounting practices as well. Following the actions of Internet Wire, the Emulex release is immediately posted on numerous Internet websites, including CBS *Marketwatch*. Message boards on Yahoo begin to buzz with the news that Emulex may be in serious financial trouble.

10:00 a.m. EST: About 30 minutes after the false press release is distributed, the Emulex executive staff begins to arrive at work in Costa Mesa, California. Because of the three-hour time difference, it is only 7:00 a.m. at Emulex Corporate Headquarters. Company executives are seemingly puzzled by the sharp decline in Emulex share price.

10:12 a.m. EST: Emulex has now fallen to \$103 per share. This drop represents a 10% decline in market value since the previous day's close of \$113.06. Because the company's stock has a recent history of volatility, few accredited news services take notice of the declining share price.

10:13 a.m. EST: Bloomberg News, one of the largest financial news services in the world, forwards much of the Internet Wire release to its trading desks throughout the world. Within minutes of this action, Emulex shares plunge

another \$10, to about \$90 per share.

10:20 a.m. EST: Emulex shares fall to \$75. Emulex executives, who are beginning to grasp the magnitude of the situation, grow increasingly concerned. By the time the news reaches the company CEO, the stock price has fallen to \$68 per share.

10:26 a.m. EST: Emulex shares have hit \$50 and the company's market valuation has fallen by over \$2 billion. As share prices continue to plummet, other news agencies like CNBC, Dow Jones, and TheStreet.com begin to prepare their releases of the Emulex story. [4]

Emulex had plummeted over \$60 in less than an hour of trading. The sell-off was caused by what investors perceived to be fast and accurate information facilitated by the Internet. CNBC, Bloomberg, and CBS were all reporting the news on Emulex; why should investors question its validity? The goal to reduce or eliminate positions in Emulex stock became an issue of paramount importance to panicked investors on the morning of August 25, 2000.

The Emulex Company

Emulex, with annual sales in excess of \$139 million, is the world's largest producer of Fibre Channel host adapters. Fibre Channel adapters are used primarily to accelerate data transmission on large computer networks. With the increasing importance of data-intensive computer applications such as data mining, data warehousing, and on-line transaction processing, timely and efficient access to "mission-critical" data has grown substantially in recent years. Fibre Channel adapters aid over-burdened networks with this task and work to reduce application run-time.

Based in Costa Mesa, California, Emulex employs 160 individuals. Paul Folino, president and chief executive officer, joined Emulex in May of 1993. As a manufacturer of specialty network components, Emulex primarily markets its products to other large businesses. In fiscal year 2000, Compaq accounted for the largest share of sales revenue. IBM and EMC have also been key Emulex customers and continue to provide a substantial percentage of company revenue. Because the technology sector is dominated by a small number of large firms, the loss of one key customer could prove financially devastating to the Company.

Recent financial performance of the firm has been exceptionally strong. Revenues for fiscal year 2000 witnessed a 104% increase over 1999. Net income, which totaled \$32.8 million in 2000, substantially outpaced 1999 income levels of \$5.2 million. The combination of solid customer

relationships and a strong US economy have worked to paint a positive performance picture for the upcoming fiscal year. [5]

Internet Wire

Internet Wire was organized in 1994 under the name gina.com. The company's primary business purpose is to provide "real-time newsfeeds to AP, Bloomberg, Dow Jones, MarketWatch, Motley Fool, Lexis-Nexis, Factiva, and thousands of other leading newswires, and databases." The firm also has a substantial number of corporate clients, including American Airlines, IBM, Oracle, and Procter & Gamble. To facilitate the dissemination of company press releases, Internet Wire works closely with hundreds of public relations firms. [6]

The smallest of three primary US press release agencies, Internet Wire competes aggressively with its larger rivals — PR Newswire and Business Wire. Founded in 1954, PR Newswire distributes company-related information to over 40,000 members throughout the world. Business Wire began operations in 1961 and serves more than 40,000 organizations in the US and abroad. [7]

In the newswire industry, the struggle to balance accurate reporting with a timely release of critical information is never-ending. As a relative newcomer, Internet Wire was under increasing pressure to maintain a competitive edge and acquire market share from its primary rivals. In February of 2000, the firm completed its first round of venture capital funding and a second round was within sight. [8] With solid financial backing and a growing reputation in the newswire/press-release industry, Internet Wire appeared poised to enter the equity markets with a strong IPO sometime in the near future.

The NASDAQ

The National Association of Securities Dealers Automatic Quotations (NASDAQ) market was initiated in 1971 to bring order and efficiency to an otherwise scattered and segmented Over-the-Counter (OTC) market. Prior to 1971, all trading on the OTC market was largely conducted through broker/dealer relationships. Without a formalized structure for listing and quoting various equities, an OTC trade could be fairly laborious and inefficient, as a broker would have to physically call dealers and attempt to negotiate a purchase price. The NASDAQ automated this process by implementing a quotation system linking brokers and dealers together by computer. Unlike the NYSE or AMEX, the NASDAQ is not an exchange-based market. Traders conduct all transactions, from start to finish, within the confines of their respective brokerage house or office location.

While the broader OTC market continues to function today (it contains over 35,000 issues), the primary focus for volume traders is on the NASDAQ. The NASDAQ currently lists over 6000 firms. These firms pay the association a listing fee for the privilege of inclusion in the automated system. Some of the most notable companies listed on the tech-laden NASDAQ are Microsoft, Intel, and Sun Microsystems. [9]

Following the stock crash of 1987, the NYSE implemented a “circuit breaker” provision that could be used to halt market trading should excessive swings in upward or downward market movement occur. As an act of good faith, the NASDAQ agreed to adhere to similar guidelines if a formal request is made by the Securities and Exchange Commission. The fate of individual equities, however, is less certain during times of firm-specific turmoil. NASDAQ regulations allow for an individual trading suspension when “extraordinary market activity in the security is occurring, such as the execution of a series of transactions for a significant dollar value at prices substantially unrelated to the current market for the security.” NASDAQ rules also specify that firms must provide the Association with any significant market-moving news before releasing such information to the public at large. [10] While these policies were firmly in place during the unfolding episode at Emulex, there is no evidence to suggest that any attempt had been made to halt the firm’s free fall in the NASDAQ market on the morning of August 25.

Other Recent Examples of Share Price Manipulation

While the Emulex fiasco may have been the largest case of Internet-related stock fraud to date, there have been other notable cases of share price manipulation in recent years. On April 8, 1999, an unknown perpetrator posted a fictitious report on a private Web page that closely resembled a Bloomberg Internet press release. In the report, details of a supposed merger between Pairgain Technologies, Inc., a maker of telecommunications equipment, and an Israeli competitor, ECI Telecom Ltd., were discussed.

The Israeli firm was said to have offered more than twice the fair market value for the acquisition of the US technology company. Within minutes of the posting, the false report spread throughout the Internet, and Pairgain stock was quickly bid up by more than 30%. Several hours after the hoax was initiated, word of the fictitious nature of the release began to reach investors. Share prices immediately retreated to pre-hoax levels. Investors duped into purchasing Pairgain shares during the run-up lost substantial sums of money as the share price began to return to normal levels. [11]

In another notable case, Lucent Technologies was the target of an Internet-related share price scheme. On March 22, 2000, a fictitious press release was posted on Yahoo! Finance that claimed Lucent Technologies had announced a quarterly earnings shortfall. Over the course of the next 48 hours, more than 20 additional posts were made on the Yahoo! message board reiterating the disastrous news at Lucent.[12] The purported shortfall in earnings sent Lucent stock downward from \$62.62 before the hoax to \$60.37 after word began to spread. The modest drop in share prices reduced Lucent’s market valuation by \$7.1 billion. [13] Lucent shares quickly regained their pre-hoax value after the Company dismissed the press release as a falsehood.

While the motivation for a share appreciation scheme (like the Pairgain example) may be fairly obvious, the reasons behind the Lucent and Emulex hoaxes are perhaps more illusive. The most probable motivation for intentionally driving down share value lies in the ability of individual investors to sell stock short.

Short Selling Defined

A short sale allows an investor to profit from a decline in share price. To institute a short sale transaction, a specified quantity of stock is borrowed from an investment broker. Borrowed shares are then sold to other investors at the prevailing market price. Proceeds from the sale are typically held in a margin account. At some later date, borrowed shares must be returned to the broker. To close out the short sale position, the investor must repurchase shares of the stock at current market prices and return the borrowed shares to the investment broker. The investor profits if share prices have fallen during the term of the short sale (as the cost of replacing these shares is lower than the proceeds from the initial sale). [14] It is critical to point out, however, that if share prices begin to rise, rather than fall, an investor holding a short position could sustain massive losses. In theory, the price of a given stock could rise to an infinite level, making the level of risk associated with a short sale infinitely high.

While short selling provides a plausible method to speculate on the downward movement of stock prices, newer financial instruments have emerged in recent years that reduce both transaction cost and transaction risk. Put options have become the most cost effective means of “betting” on share price reduction. Sold on the Chicago Board of Trade, put options give the investor the right, but not the obligation, to sell a specified number of shares to another investor at a specified price. These securities are usually sold in round lots of 100 shares and must be exercised before their stated expiration date (usually less than 3 months). Put options

can provide the holder with substantial leverage by delivering nearly all the benefits of a traditional short sale without the burden of having to ever own the underlying shares. A small drop in stock price can thus yield large returns on a minimal level of investment.

The Time for Action

Paul returned to his office, sat down at his desk, and began to think through the options currently at his disposal. By this time, Kirk Roller had made his way to Paul's office and was prepared to provide some much needed counsel. There simply wasn't time for a lengthy discussion. Emulex stock was literally losing value by the second. Decisive action was needed immediately.

Emulex Reacts

Deeply concerned about the cataclysmic loss of Emulex share value, Paul Folino immediately picked up the telephone and called NASDAQ Surveillance, the agency assigned to handle security fraud on the NASDAQ market. Paul informed the agency that, contrary to earlier reports, Emulex was not restating its Fourth Quarter performance, and that the contents of the morning's news release had been entirely fictitious. NASDAQ administrators suspended all Emulex trading at 10:30 a.m., approximately one hour after trading had begun.

Following the suspension of Emulex trading, executive management worked to develop a press release that would "calm the markets down." The purpose of this press release was three-fold. First, the trading public would have to be assured that the company CEO was still on the job. Second, the rumors of an SEC investigation would have to be dispelled. And third, Emulex would have to clearly explain that Q4 performance would not be restated.

Once completed, the press release was distributed to all relevant news media. The Emulex staff relied on the speed of information that had caused this problem to solve it. After allowing the statement to circulate for 30 minutes, Paul called the NASDAQ and requested that trading of Emulex shares recommence. Management spent the remaining hours of Friday, August 25 "working the phones" in an attempt to limit further damage stemming from the Emulex hoax.

As Emulex trading resumed, shares began to rise in value at a furious pace. Emulex shares ultimately closed at \$105.75 — down \$7.31 on the day. Trading volume had been extremely heavy as nearly 11 million shares changed hands on August 25. The rapid rebound of Emulex stock would seem to lend

credibility to the theory of efficient markets. Once the truth was known, rationality seemingly returned to Emulex share valuation.

Even with share price movement in the correct direction, two notable issues continued to linger. First, Emulex shares still ended the day down almost 6.5 %. Second, many investors were bilked out of millions of dollars during the early hours of trading. Some estimates place shareholder losses at nearly \$50 million. The market offers little recourse to those affected by such schemes. The effects of the Emulex scam would be felt by many investors for some time to come.

The News Agencies Respond

While Emulex scrambled to reverse the damage caused by the fictitious press release, many news agencies began to seriously question how such a falsehood was permitted to spread throughout the financial media with so little resistance. The Emulex hoax certainly did little to improve Internet Wire's reputation in the news wire business. In response to the events of August 25, Internet Wire largely portrayed itself as the victim of a "sophisticated fraud." Michael Terpin, chairman of Internet Wire, seemed to place blame squarely on a perpetrator who "obviously had some kind of familiarity with our [Internet Wire's] policies and procedures." What Mr. Terpin fails to point out, however, is that at no time during the debacle was Emulex ever contacted for verification of the claims made in the fictitious press release. Had Internet Wire simply verified its information prior to release, the entire incident could have been avoided.

Internet Wire was not the only news service to face scrutiny in the wake of the Emulex hoax. Bloomberg News, one of the largest and most respected news agencies in the world, also found itself embroiled in controversy. Like many other well-respected news organizations, Bloomberg accepted the Internet Wire release at face value. Because Bloomberg maintained such a strong reputation in the news wire industry, most investors were prone to believe the story as well. As such, any doubts regarding the release were reduced and the market responded with vigor. Conceding that Bloomberg "came up somewhat short," Matthew Winkler, editor in chief at Bloomberg News, explained that the Company was instituting additional safe guards to avoid a recurrence in the future. Other agencies, such as Dow Jones News Service, planned to independently verify all news stories originating from Internet Wire. Whatever the intended action, all news agencies would have to address the credibility gap created by the release of this fictitious, market-moving information.

The Perpetrator Apprehended

In the early morning hours of Thursday, August 31st, federal agents stormed into a quiet home in El Segundo, California and arrested the suspected perpetrator of the Emulex hoax. At age 23, Mark Symeon Jakob had been living with his parents in this Los Angeles suburb at the time of the arrest. Described as a “. . . former student at El Camino Community College in Torrance, California,” Mr. Jakob had also been employed at Internet Wire in the weeks leading up to the Emulex incident. For reasons undisclosed, Mark Jakob resigned from his position at Internet Wire on August 18, 2000. Company officials would only say that he had been an “employee of good standing.”

In the days leading up to the hoax, Jakob, had sold 3000 shares of Emulex stock short. By selling short, Jakob was betting that Emulex stock would decline in value. Much to his dismay, Emulex shares actually began to appreciate in value by a substantial margin. Only one week after initiation of the short sale transaction, Mark Jakob had a paper loss of nearly \$100,000. Unable to cover a loss of this magnitude, he conspired to force Emulex shares downward.

From a computer terminal at El Camino Community College, Jakob sent the crafted press release to Internet Wire. Believing the document to be authentic, Internet Wire prepared and released the statement on the morning of August 25, 2000. As Emulex shares began to plummet, Mark Jakob was able to reverse his losses in dramatic fashion. Starting the day at \$113, Emulex stock had fallen

to \$45 in less than an hour. When shares bottomed-out at \$45, Jakob “covered” his short sale by purchasing 3000 shares of Emulex stock. This transaction resulted in a \$55,000 profit. Just before the NASDAQ halted trading on Emulex shares, Jakob purchased 3500 additional shares at about \$50 a piece. When trading resumed, Emulex shares shot back up to \$105.75 a share. All told, Mr. Jakob had made a \$240,000 profit from the Emulex hoax.

The case against Mark Jakob unfolded rather quickly. Federal agents knew that the fictitious release had been sent from El Camino Community College. From their conversations with Internet Wire, agents also believed that an insider, someone who knew the day-to-day procedures present at the news wire company, had crafted the document. Working with these two pieces of information, Federal authorities were able to zero in on a suspect in a very short period of time.

Mark Jakob ultimately pleaded guilty to the charges of wire fraud and securities fraud. A U.S. District Judge sentenced Mr. Jakob to 44 months in prison. Jakob was also named in a related SEC civil suit following his criminal indictment. The civil court sought the forfeiture of all gains associated with the fraud, plus interest. Total fines assessed against the defendant stemming from the Emulex hoax amounted to \$455,642. Mark Jakob accepted the terms of the court without admitting or denying the allegations in the complaint filed by the Securities and Exchange Commission.

Turn page for press releases relating to this story. —————→

FOOTNOTES

- [1] “Emulex CEO - Interview,” Fox News Channel as provided by Federal Document Clearing House, August 31, 2000.
- [2] Berenson, Alex. “On Hair-Trigger Wall Street, A Stock Plunges on Fake News,” *The New York Times*, Saturday, August 26, 2000.
- [3] Gentile, Gary. “Federal Authorities Piece Together Evidence Against Man Accused in Stock Trade Hoax,” *The Associated Press*, Friday, September 1, 2000.
- [4] Berenson, Alex. “On Hair-Trigger Wall Street, A Stock Plunges on Fake News,” *The New York Times*, Saturday, August 26, 2000.
- [5] Emulex 10-K405. Filing Date: 9/18/2000.
- [6] [Http://www.internetwire.com](http://www.internetwire.com).
- [7] [Http://www.hoovers.com](http://www.hoovers.com).
- [8] [Http://www.internetwire.com](http://www.internetwire.com)
- [9] Bodie, Zvi and Alex Kane and Alan J. Marcus, *Investments*, McGraw-Hill Irwin, New York, New York, 2002.
- [10] [Http://secure.nasdr.com](http://secure.nasdr.com) “NASD Manual and Notices to Members.”
- [11] Wyatt, Edward. “Fake News Account on Web Site Sends Stock Price Soaring,” *The New York Times*, Thursday, April 8, 1999.
- [12] “SEC Charges Internet Message Board Poster with Securities Fraud,” United States Securities and Exchange Commission, March 30, 2000.
- [13] Wire Services. “Texas Man Charged in Lucent Stock Fraud,” *The Record*, Friday, March 31, 2000.
- [14] Bodie, Zvi and Alex Kane and Alan J. Marcus, *Investments*, McGraw-Hill Irwin, New York, New York, 2002.

This case was prepared by Research Assistants Joshua Berlo and Joseph Worrell under the direction of James S. O’Rourke, Concurrent Associate Professor of Management, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Information was gathered from corporate as well as public sources. Copyright © 2002. Eugene D. Fanning Center for Business Communication. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form by any means — electronic, mechanical, photocopying, recording, or otherwise — without permission.

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EMULEX REBUTS FICTITIOUS PRESS RELEASE

Business at Record Levels; Rumors of CEO Resignation and Fourth Quarter Restatement False

Costa Mesa, Calif., August 25, 2000. . . Emulex Corporation (NASDAQ:EMLX), the world's largest supplier of fibre channel adapters, announced that unknown persons have published and circulated a fictitious press release this morning. Among the false statements in this fictitious Emulex press release were assertions that the Company's CEO had resigned, that its recently reported fourth quarter results were to be restated, and that Emulex was under investigation by the Securities and Exchange Commission, all of which are untrue. Paul Folino, president and CEO, stated, "The negative statements in this fictitious press release are categorically false. Emulex has just completed an audit of our year end results, which we announced on August 3, and there is no truth to the rumor that our historical results will be restated. We have contacted the appropriate authorities, who are investigating this matter and we intend to launch our own investigation into this fraudulent release. Emulex shareholders should be assured that our business is at record levels and the fundamentals of our business and my commitment to this company have never been stronger."

Emulex Corporation is a leading designer, developer and supplier of a broad line of Fibre Channel host adapters, hubs, ASICs and software products that provide connectivity solutions for Fibre Channel storage area networks (SANs), network attached storage (NAS) and RAID. The Company's products are based on internally developed ASIC technology, and are deployable across a variety of SAN configurations and operating systems, enhancing data flow between computers and peripherals. Emulex's products offer customers the unique combination of critical reliability, scalability, and high performance, and can be customized for mission-critical server and storage system applications. Emulex products have been selected by the world's leading server and storage providers, including Compaq, EMC, Fujitsu-Siemens, Groupe Bull, Hewlett-Packard, Hitachi Data Systems, IBM, NEC and Unisys. In addition, Emulex includes industry leaders Brocade, Intel, McData, Microsoft, Legato and VERITAS among its strategic partners.

Emulex markets to OEMs and end users through its own worldwide selling organization, as well as two-tier distribution partners. Corporate headquarters are located in Costa Mesa, California. News releases and other information about Emulex Corporation are available via the Internet at www.emulex.com

EMULEX | the fibre channel company

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: With the exception of historical information, the statements set forth above include forward-looking statements that involve risk and uncertainties. The Company wishes to caution readers that a number of important factors could cause actual results to differ materially from those in the forward-looking statements. Those factors include the following: the fact that the Company's markets are characterized by rapidly changing technology, evolving industry standards and frequent introductions of new products and enhancements, and the Company's ability to respond to such changes; maturation in the network access server and printer server products; the fact that the fibre channel market is at an early stage of development; the highly competitive nature of the markets for the Company's products; the Company's ability to attract and retain skilled personnel; the Company's reliance on third party suppliers for components used in the Company's products and on manufacturing subcontractors that assemble and distribute the Company's products; the Company's reliance on certain OEMs, distributors and key customers; and potential fluctuations in the Company's future effective tax rate. These and other factors which could cause actual results to differ materially from those in the forward-looking statements are also discussed in the Company's filings with the Securities and Exchange Commission, including its recent filings on Form 10-K and Form 10-Q.

This news release refers to various products and companies by their trade names. In most, if not all, cases these designations are claimed as trademarks or registered trademarks by their respective companies.

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EMULEX RESPONDS TO APPREHENSION OF HOAX SUSPECT

Swift Action by Authorities Demonstrates Immediate Consequences for Hoax Perpetrator

COSTA MESA, Calif., August 31, 2000 . . . Emulex Corporation (NASDAQ: EMLX), the world's largest supplier of Fibre Channel host bus adapters,* today announced that the Federal Bureau of Investigation (FBI) has arrested a suspect in connection with the fictitious Emulex press release issued on August 25. The negative statements in the fraudulent press release resulted in unprecedented volatility in Emulex's stock, creating large losses for shareholders victimized by this hoax.

"This kind of electronic terrorism cannot be tolerated. We are very gratified by the swift action taken by the FBI, the U.S. Attorney's Office and the Securities and Exchange Commission (SEC)," states Paul Folino, president and CEO. "The matter received immediate and focused attention from both law enforcement agencies and multiple securities' exchanges. The quick results from this cooperative effort demonstrate to others contemplating a similar hoax that the outcome to be expected is immediate apprehension and prosecution."

Folino continues, "Since the events of last Friday, we have noted increasingly widespread concern over the vulnerability of the financial markets due to fraudulent acts of this nature. Clearly, the huge impact in our stock that resulted from this incident has demonstrated the high regard and trust that the public has for financial news services. We believe that the public's trust is well founded and the stability of financial markets worldwide remains critically dependent on the continued role in disseminating accurate information. While there will always be challenges in completely safeguarding the integrity of electronic information, in the aftermath of this incident, we have been gratified by the promise of increased vigilance and scrutiny by financial news services worldwide."

Folino concludes, "By implementing stronger roadblocks to hoaxes of this nature, including a heightened level of vigilance among financial news services, swift action by the authorities and harsh penalties for hoax perpetrators, much has been done to calm the concerns of the investing public."

About Emulex

Emulex Corporation is a leading designer, developer and supplier of a broad line of fibre channel host adapters, hubs, ASICs and software products that provide connectivity solutions for fibre channel storage area networks (SAN), network attached storage (NAS and RAID). The Company's products are based on internally developed ASIC technology, are deployable across a variety of SAN configurations and operating systems, enhancing data flow between computers and peripherals. Emulex's products offer customers the unique combination of critical reliability, scalability, and high performance, and can be customized for mission-critical server and storage system applications. Emulex products have been selected by the world's leading server and storage providers, including Compaq, EMC, Fujitsu-Siemens, Groupe Bull, Hewlett-Packard, Hitachi Data Systems, IBM, NEC, and Unisys. In addition, Emulex includes industry leaders Brocade, Intel, McDATA, Microsoft, Legato, and Veritas among its strategic partners.

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* Source: IDC and Datquest

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