

**DECLARATION OF GARY BARTMANN
LOCKHEED MARTIN SPACE SYSTEMS COMPANY**

I, Gary Bartmann, hereby declare the following to be true and correct to the best of my personal knowledge and belief:

1. I am Vice President of Procurement for the Space Systems Company ("SSC"), a business area within Lockheed Martin Corporation ("Lockheed Martin"). As Vice President of Procurement, I am responsible for overseeing SSC's purchase of parts and components, including discrete semiconductors that neither we nor any other part of Lockheed Martin is able to produce ourselves. Lockheed Martin is one of the largest aerospace and electronics systems companies in the world. A primary business of SSC is the design, integration and construction of satellite vehicles and strategic missile systems for the United States military, NASA, and international government and civilian customers. Examples of SSC programs include the Navy's Mobile Use Objective System ("MUOS") and Advanced Extremely High Frequency ("AEHF") programs for the United States Department of Defense ("DoD") and various NASA programs such as the vehicles for the Mars Lander program and the ORION Crew Exploration Vehicle for travel to the moon and beyond.

2. I submit this sworn statement at the request of the United States Department of Justice in connection with its investigation of Microsemi Corporation's ("Microsemi") July 2008 acquisition of Semicoa, Inc. ("Semicoa"). Before this acquisition took place, SSC was able to turn to these two companies – and no one else – for certain high-reliability components essential to the space systems that SSC makes. Microsemi's acquisition of its only competitor for these components ensures that Microsemi will be the only source SSC can turn to. Semicoa was also in the process of becoming a competitor to Microsemi on yet another class of components that are in very short supply, and Microsemi's actions eliminated Semicoa's ability to provide that competition. Both of these consequences are of grave concern to me and to SSC.

3. Two important classes of parts that I purchase on a regular basis are small signal bipolar transistors and ultrafast recovery rectifier diodes ("UFRR diodes"), both of which fall under the general category of discrete semiconductors. These parts are key components in the systems that SSC designs and builds. Whenever the systems engineers at SSC decide that a system requires a particular small signal bipolar transistor or UFRR diode, my office is responsible for all of SSC's purchases of those products.

4. When I purchase discrete semiconductors, I rely on a classification system designed by the DoD to designate the reliability of specific manufacturers' production processes and their products. A part of DoD, the Defense Supply Center Columbus ("DSCC"), maintains a list of qualified parts from specified suppliers generally known as the Qualified Manufacturer's List, or

QML. DSCC grants certifications and qualifications for different grades of QML parts, known as Joint Army-Navy ("JAN") categories. These grades in general represent different levels of reliability. The highest reliability grade, Joint Army-Navy Space ("JANS"), is intended for products qualified for use in space. JANS parts are subjected to numerous tests and process controls throughout the manufacturing process. These tests and controls, which are not performed on other JAN-level parts, are intended to identify defective products and ensure that JANS parts are extremely reliable. The engineers at SSC, in coordination with their customers in DoD and elsewhere, determine whether a component for a given program must be JANS. The decision to specify a JANS part is based on the requirements of the program, not on the comparative price of JANS and non-JANS parts. Space applications almost always require the use of JANS parts.

5. The DoD document that provides the specifications for these parts, Military Performance Standard 19500 ("MIL-PRF-19500") references product categories called "slash sheets." In general, the parts in two different slash sheets are not interchangeable. The performance characteristics of parts within a slash sheet are more likely to be similar than parts that are in different slash sheets. Accordingly, if an engineer needs to redesign a circuit to replace a part that is unavailable, the engineer is more likely to choose a part within the same slash sheet as the unavailable part. Before the acquisition, Microsemi and Semicoa were the only qualified JANS suppliers for the following small signal bipolar transistor slash sheets: 251, 255, 290, 291, 317, 366, 376, 391, 512, 544, 545, 558, 559. Also before the acquisition, Semicoa was preparing to compete with Microsemi in supplying the UFRR diode JANS1N5811, which is on slash sheet 477.

6. Reliability is absolutely critical for SSC's applications. Small signal bipolar transistors and UFRR diodes in space face stresses, such as launch vibrations, micro-gravity, and the vacuum of space, that components in ground-based systems are never exposed to. Furthermore, it is impossible to replace a failed component on a satellite after it has been launched, and a single failure can sometimes jeopardize the success of an entire mission. Even before a satellite is launched, a part failure that shows up in pre-launch testing can have serious repercussions for the schedule and cost of the entire program. It is therefore imperative that SSC be able to purchase components that possess the greatest possible degree of reliability.

7. Because of the need for highly reliable parts in the work done by SSC, there are applications for which JANS parts are required by the customer and specified by SSC engineers. Although SSC's engineers actually decide which type of components will be needed in a given system, the customer, such as the United States military, generally requires that any parts that are used, including small signal bipolar transistors and UFRR diodes, be qualified to particular reliability levels. For the space applications worked on by SSC, customers require JANS parts. JANS parts are much more reliable than the next highest part level.

8. If JANS parts are not available, it is possible to use a process called upscreening, which involves applying additional testing to non-JANS parts. Upscreening non-JANS parts increases the reliability of those parts, but upscreening does not make a part as reliable as a JANS part.

Because upscreened parts are not as reliable as JANS parts, using non-JANS parts when JANS parts are specified is only done in emergency situations. It is not done because of an increase in price. We would never upscreen non-JANS parts to counteract even a significant price increase in JANS parts.

9. During at least the last four years, while I have been in my current position and in corporate purchasing, Microsemi and Semicoa have been the only suppliers of JANS small signal bipolar transistors. The two companies competed vigorously for sales to SSC, and for the majority of these parts the two companies bid against each other. Having Semicoa as a second source of supply eliminated the potential for a single-point failure to halt production of small signal bipolar transistors and also caused Microsemi to offer better pricing and delivery terms than it did for UFRR diodes. The acquisition of Semicoa by Microsemi eliminates the competition we have had for all JANS small signal bipolar transistors. Since the acquisition, we have seen significant price increases on small signal bipolar transistors, including on one of the highest-volume parts, the JANS2N2222.

10. Starting in 2004, Microsemi had delivery problems with its JANS UFRR diodes, parts for which it was the only supplier. I have been told by Microsemi representatives that these delivery problems were due in part to Microsemi's decision to move production of these parts from its Santa Ana, California facility to its facility in Scottsdale, Arizona. Lead times started approaching two years, and Microsemi's delivery commitments were very unreliable. A good example is the situation that we faced regarding one of the most high-volume JANS diodes we buy, the JANS1N5811; we would get to about a month from delivery, and then Microsemi would inform us, without warning, that the delivery was not coming. Microsemi's delivery problems had the potential to adversely affect several critical programs, such as the Navy's MUOS satellite communications system, for which the United States is paying many billions of dollars.

11. The pricing and delivery situation with Microsemi had gotten so bad that we were reduced to just begging and pleading with Microsemi, which made it impossible for us to meet our own commitments. SSC therefore decided it had no choice but to find another source for its JANS UFRR diodes, so that we would no longer have to depend on Microsemi for these parts. In about the middle of 2007, we started considering a number of companies as potential suppliers. Our initial list of potential suppliers included Semicoa, Semtech, Sensitron, SSDI, Solitron, Aeroflex, and Hi-Rel. Other than Semicoa, there were problems with each of these companies that made them unattractive as a new source for JANS UFRR diodes. Semtech was rejected as a potential supplier both because its location in Mexico caused concern to some of SSC's ultimate customers (including concerns that the company's ability to customize parts would be limited because of International Traffic in Arms Regulations), and because it had JANS capability for only one other product. Looking at data from a single JANS part did not give SSC sufficient confidence that Semtech could produce JANS UFRR diodes. Sensitron was rejected because they currently do not produce any JANS parts as they have been suspended by DSCC. Sensitron's inability to regain DSCC certification indicated to SSC that it would not be able to reliably produce at the JANS level. SSDI was rejected because it is not qualified to make any JANS parts. SSDI used to be on the QML, but was removed years ago and has not returned to

the list. Solitron was rejected because it does not make any JANS parts and because it does not have any demonstrated space reliability. Both Aeroflex and Hi-Rel were rejected because they purchase wafers, an essential input into UFRF diodes, from third-parties rather than making them in-house. SSC strongly prefers to work with suppliers who directly control the entire production process.

12. Semicoa had none of the problems associated with other manufacturers. Semicoa produced multiple JANS parts and had a history of reliable production. It was located within the United States, had had no issues with DSCC, and directly controlled the entire production process from start to finish. Based on these factors, SSC determined that Semicoa was the best potential alternative supplier of UFRF diodes, and therefore decided to assist Semicoa's entry into the market, including investing in certain equipment for Semicoa to use. Information I received by the middle of 2008 indicated that Semicoa was well on its way to becoming a viable supplier for JANS UFRF diodes. In fact, SSC at about that time placed substantial orders with Semicoa for delivery of these JANS diodes.

13. During 2007 and 2008, Lockheed Martin representatives, including me, met several times with Microsemi representatives, including CEO James Peterson and COO Ralph Brandi, to discuss Lockheed Martin's extreme concern over Microsemi's delivery failures, and to try to obtain commitments from Microsemi that our delivery needs would be met.

14. In a meeting in July 2008, just before Microsemi acquired Semicoa, Mr. Peterson said his company was the "last man standing" in high-reliability semiconductors and that Lockheed Martin would have to abide by Microsemi's terms. Mr. Peterson told us that all other competitors were "paper tigers," and that other acquisitions would be forthcoming. He did not tell us that Microsemi was going to buy Semicoa.

15. In a subsequent meeting between Microsemi and Lockheed Martin on November 5, 2008, we discussed the fact that Microsemi's prices seem to always be rising, which Mr. Peterson agreed was the case and would continue to be the case. Moreover, Mr. Peterson said that Microsemi was not planning to meet pricing commitments on these parts and would raise prices even more.

16. During the November 5 meeting, Mr. Peterson repeatedly mentioned that his company was receiving inquiries from the United States Department of Justice. At one point, Mr. Peterson threatened that Lockheed Martin's delivery problems would get even worse if Microsemi were able to confirm that Lockheed Martin was the catalyst for the inquiries. We told Mr. Peterson that Lockheed Martin was cooperating with the Department of Justice.


17. During the November 5 meeting and another meeting the next day, Microsemi committed to meeting Lockheed Martin's most crucial, immediate needs for JANS UFRF diodes. Then, in a meeting later in November, Microsemi representatives informed Lockheed Martin that those commitments would not be met. Microsemi has since then begun supplying some of the parts we need, but in December 2008 Microsemi informed Lockheed Martin that it still would not be

receiving all of the committed parts. We will continue to have critical delivery needs in the future and are concerned that our work on vital national space programs will continue to be at risk if we are forced to rely solely on Microsemi for these parts.

18. It is vitally important that the competitive influence represented by Semicoa be restored to the fullest extent possible, and that Microsemi do nothing further to undermine the competitive value of the assets that it acquired from Semicoa.

I declare under penalty of perjury, that the foregoing is true and correct.

Executed at DENVER, COLORADO on 17 DECEMBER 2008


Gary Baumann