



THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

DEC 11 2008

Ms. Deborah Garza
Acting Assistant Attorney General (Antitrust Division)
Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530

Dear Ms. Garza,

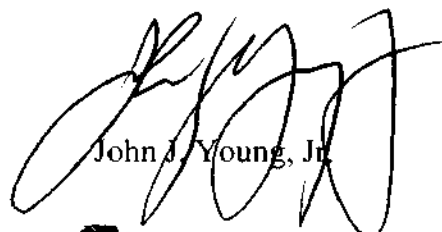
The Department of Defense has reviewed the acquisition of Semicoa Semiconductors by the Microsemi Corporation. We have concluded, for reasons stated below, that this merger reduces competition and is likely to reduce supplier responsiveness and raise component costs. Accordingly, we believe this transaction is not in the best interests of this Department.

We have examined the electronics businesses in which these companies competed and have found that the transaction increases market concentration and adversely affects competition in a small, but critical, area of defense electronics. Microsemi and Semicoa were the only two suppliers of qualified high-reliability, small-signal transistors. Further, at the time of the acquisition, Semicoa was in the final stages of developing a capability to compete with Microsemi on high-reliability, ultra-fast recovery diodes, a market dominated by Microsemi.

We believe consolidation within the defense industry in certain circumstances may be beneficial to reduce excess capacity and lower costs, and we support such transactions when they do not adversely affect competition. Microsemi asserts that the acquisition could generate efficiencies. However, we concluded the transaction is not likely to result in savings to the Department. Further, a consolidated transistor and diode industry may increase supply vulnerabilities as demonstrated when Microsemi was unable to deliver space-qualified diodes for more than 2 years.

While transistors and diodes comprise a relatively small fraction of the cost of the Department's end items, we believe the transaction reduces competition and is likely to increase component costs. Additionally, we believe competition serves to provide incentives to maintain responsive and timely delivery of vital components needed in systems used by our Warfighters. After a thorough and careful review, we have concluded the transaction is not in the best interests of the Department.

Sincerely,



John J. Young, Jr.

