

Microsemi Said to Face SEC Inquiry Into CEO's Degree

By David Scheer and Ian King

Feb. 2 (Bloomberg) -- **Microsemi Corp.** faces a government review into whether Chief Executive Officer **James Peterson** misled investors when he denied making up degrees from Brigham Young University, a person familiar with the matter said.

The U.S. Securities and Exchange Commission is examining a Dec. 3 statement by Microsemi, in which Peterson "categorically" denied misrepresenting his degrees, said the person, who declined to be identified because the inquiry isn't public. Microsemi said Jan. 29 that Peterson didn't earn a bachelor's degree or an MBA.

Microsemi, which makes chips for the aerospace and defense industries, said last week that it will retain Peterson as CEO, citing his "great value and strategic vision." He agreed to pay \$100,000 to Microsemi, forgo an annual bonus, and have the vesting of stock grants delayed by 12 months. Microsemi's shares have **fallen** 54 percent since Bloomberg News reported on Dec. 2 that Peterson didn't have the degrees he claimed.

"When you get a reality check, it's always good to correct your facts and move on, otherwise you dig your hole deeper," said **David Martin**, co-head of the corporate and securities practice at law firm Covington & Burling in Washington. "He appears to have made an unfortunate choice in how to handle it."

Future Releases

Microsemi, based in Irvine, California, said last week it will require all press releases to be reviewed before they are released.

SEC spokesman **John Nester** declined to comment. Reached by e-mail, Microsemi Vice President **Robert Adams** didn't respond to questions about the review. Peterson didn't return a call and e-mail seeking comment.

Microsemi rose 3 cents to \$8.43 at 4 p.m. New York time in Nasdaq Stock Market trading. The shares lost 43 percent in 2008.

A regulatory filing for **STEC Inc.**, a company where Peterson serves as a director, said he had bachelor's and master's degrees in business administration from Brigham Young. A U.S. government security clearance application form provided by Peterson also listed those degrees.

Microsemi stock fell on Dec. 3, the first trading day after the Bloomberg report about Peterson's academic credentials. Later that day, Peterson denied the report and said he expected Brigham Young to confirm his degrees, saying there may have been a mix-up with his name.

Share Fluctuation

His statement, issued at 1:07 p.m. New York time, prompted the shares to jump about 4.6 percent in the next 5 minutes. By the end of the day, after the university reiterated that Peterson didn't get the degrees, the shares had fallen 16 percent. They lost another 27 percent the next day.

Microsemi's directors said Dec. 4 that they supported Peterson and were reviewing his academic credentials.

"His punishment was humiliation," said **James Cox**, a securities law professor at Duke University in Durham, North Carolina. "The SEC's investigation of this actually makes it more likely that the CEO will be mortally wounded."

The discrepancy in Peterson's record was uncovered by Barry Minkow, co-founder of the Fraud Discovery Institute, which looks into the backgrounds of executives. Minkow served more than seven years in prison, from 1988 to 1995, after being convicted of fraud while running a company called ZZZZ Best Co.

In December, Minkow said he had put options on STEC and Microsemi shares. Last week, Minkow said he no longer holds Microsemi shares or options.

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Last Updated: February 2, 2009 17:32 EST