

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number # 0-8866

MICROSEMI CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-2110371
(I.R.S. Employer
Identification No.)

2381 Morse Ave., Irvine, California 92614
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (949) 221-7100

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
None	None

Securities registered pursuant to Section 12(g) of the Act:

\$0.20 par value Common Stock,
Series A Junior Participating Preferred Stock, and
Rights to Purchase Series A Junior Participating Preferred Stock
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the Common Stock held by non-affiliates of the registrant, based upon the closing sale price of the Common Stock on December 3, 2001 was approximately \$693,255,000. Shares of Common Stock beneficially held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons have been assumed for this purpose to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of Common Stock on December 3, 2001 was 28,391,322.

Documents Incorporated by Reference

Part III: Incorporates by reference portions of the definitive Proxy Statement for the Annual Meeting of Stockholders to be held on or about February 26, 2002. This proxy statement will be filed not later than 120 days after the close of Registrant's fiscal year ended September 30, 2001.

PART I

ITEM 1. BUSINESS

INTRODUCTION

Microsemi Corporation (the "Company" or "Microsemi") was incorporated in Delaware in 1960. Its name was changed from Microsemiconductor Corporation in February 1983. The principal executive offices of the Company are located at 2381 Morse Ave., Irvine, California 92614 and its telephone number is (949) 221-7100. Unless the context otherwise requires, the "Company" and "Microsemi" refer to Microsemi Corporation and its consolidated subsidiaries.

Microsemi is a leading designer, manufacturer and marketer of analog, mixed-signal and discrete semiconductors. The Company's semiconductors manage and regulate power, protect against transient voltage spikes and transmit, receive and amplify signals.

Microsemi products include individual components as well as complete circuit solutions that enhance customer designs by providing battery optimization, reducing size or protecting circuits. Markets the Company serves include mobile connectivity, computer/peripherals, telecommunications, medical, industrial/commercial, aerospace/satellite and military.

IMPORTANT FACTORS RELATED TO FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISKS

This Form 10-K contains certain forward-looking statements that are based on current expectations and involve a number of risks and uncertainties. All of the non-historical information herein is forward-looking. The forward-looking statements included herein and elsewhere in this filing are based on, among other items, current assumptions that the Company will be able to meet its current operating cash and debt service requirements with internally generated funds and its available line of credit, that it will be able to successfully resolve disputes and other business matters as anticipated, that competitive conditions within the semiconductor, integrated circuit and custom diode assembly industries will not change materially or adversely, that the Company will retain existing key personnel, that the Company's forecasts will reasonably anticipate market demand for its products, and that there will be no materially adverse change in or affecting the Company's operations or business. Related or other factors that could cause results to vary materially from current expectations are discussed below in this Part 1, Item 1 or elsewhere in this Form 10-K, including Part I, Item 3; and Part II, Items 5, 7 and 8. Assumptions relating to forward-looking statements involve judgments about matters that are difficult to predict accurately and are subject to many factors that can materially affect results. Forecasting and other management decisions are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and business developments, the impact of which may cause the Company to alter its forecasts, which may in turn affect the Company's results. The Company does not undertake to update any forward-looking statements made herein, and shall do so only as and when the Company determines to do so. In light of the factors that can materially affect the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved. Readers are cautioned against giving undue weight to forward-looking statements and are asked to consider all of the factors referred to herein, in subsequent filings by the Company with the Securities and Exchange Commission or elsewhere.

PRODUCTS

Microsemi Corporation is a global supplier of commercial and high-reliability analog and mixed-signal integrated circuits ("IC") and power and signal discrete semiconductors serving the satellite, telecommunications, computer and peripherals, military/aerospace, industrial/commercial, and medical markets.

The Company's IC products offer light, sound and power management for desktop and mobile computing platforms as well as other power control applications. Power management generally refers to a class of standard linear integrated circuits ("SLICs") which perform voltage regulation and reference in most electronic systems. The definition of power management has broadened in recent years to encompass other devices and modules, often application specific standard products ("ASSPs"), which address particular aspects of power management, such as audio or display related ICs. This business is composed of both a core platform of traditional SLICs, such as low dropout regulators ("LDOs") and pulse width modulators ("PWMs"), and differentiated ASSPs such as backlight inverters, audio amplification ICs and small computer standard interface ("SCSI") terminators.

Major discrete products are silicon rectifiers, zener diodes, low leakage and high voltage diodes, temperature compensated zener diodes, transistors and a family of subminiature high power transient suppressor diodes. The Company also manufactures discrete semiconductors for commercial applications, such as automatic surge protectors, transient suppressor diodes used for telephone applications and computer switching diodes used in computer systems.

A partial list of applications of the Company's discrete semiconductor products includes: heart pacer transient shock protector diodes (where the Company believes it is the leading supplier in that market), low leakage diodes, transistors used in jet aircraft engines and high performance test equipment, high temperature diodes used in oil drilling sensing elements operating at 200 degrees centigrade, temperature compensated zener or rectifier diodes used in missile systems, power transistors and other electronic systems. The Company's integrated circuit products are used in computer and data storage, lighting, automotive, telecommunications, test instruments, defense and aerospace equipment, high-quality sound reproduction and data transfer.

The Company currently serves a broad group of customers including Boeing, Guidant/Cardiac Pace Makers, Seagate Technology, Astrium, Universal Semiconductor, Motorola, Alcatel, and Medtronic.

MARKETING

Microsemi Corporation is a global supplier of power management, power conditioning, transient suppression and RF/Microwave semiconductor products. It serves the satellite, telecommunications, computer and peripherals, military/aerospace, industrial/commercial, and medical markets with high-reliability and commercial analog integrated circuits and power and signal discrete semiconductors.

The Company's products are marketed through domestic electronic component sales representatives and the Company's inside sales force to original equipment manufacturers. The Company also employs industrial distributors to service its customers' needs for standard catalog products. For fiscal year 2001, the Company's domestic sales accounted for approximately 68% of the Company's revenues, of which sales representatives and distributors accounted for approximately 19% and 22%, respectively. The Company has direct sales offices in many metropolitan areas including Los Angeles, Garden Grove, Santa Ana, Phoenix, Denver, Chicago, Minneapolis, Montgomeryville, Boston, Long Island, Taiwan, Hong Kong, Singapore and Ireland. Sales to foreign customers, made through the Company's direct domestic sales force and 26 overseas sales representatives and distributors, accounted for approximately 32% of fiscal year 2001 sales. Domestic and foreign sales are classified based upon the destination of shipment from the Company's facilities.

No one customer accounted for more than 3% of the Company's revenue in fiscal year 2001. However, approximately 27% of the Company's business is to customers whose principal sales are to the U.S. Government.

RESEARCH AND DEVELOPMENT

The Company believes that continuing timely development and introduction of new products are essential in maintaining its competitive position. The Company currently conducts most of its product development effort in-house. The Company also employs outside consultants to assist with product design.

The Company spent approximately \$4,002,000, \$11,196,000 and \$16,122,000 in fiscal years 1999, 2000 and 2001, respectively, for research and development, none of which was customer sponsored.

The principal focus of the Company's research and development activities has been to improve processes and to develop new products that support the growth of its businesses.

MANUFACTURING AND SUPPLIERS

The Company's principal domestic manufacturing operations are located in Santa Ana and Garden Grove, California; Broomfield, Colorado; Scottsdale, Arizona and Watertown, Lawrence and Lowell, Massachusetts. Each operates its own wafer processing, assembly, testing and screening departments.

The Company's domestic plants manufacture and process all products and assemblies starting from purchased silicon wafers and piece parts. After wafer level testing, the silicon wafers are separated into individual dice that are then assembled into packages and tested in accordance with the Company's test procedures. Certain subcontract suppliers provide packaging and testing for the Company's products necessary to deliver finished products. The Company pays those suppliers for assembled or fully tested products meeting predetermined specifications. Manufacturing and processing operations are controlled in accordance with military as well as other rigid commercial and industrial specifications.

A major portion of the Company's semiconductor manufacturing effort takes place after the semiconductor is assembled. Parts are tested a number of times, visually screened and environmentally subjected to shock, vibration, "burn in" and electrical tests in order to prove and assure reliability.

The Company purchases silicon wafers, other semiconductor materials and packaging piece parts from domestic and foreign suppliers generally on long-term purchase commitments which are cancelable with 30 to 90 days notice. With the exception of glass sleeves for high reliability diode products and glass to metal sealed parts for computer diode and zener diode products, all materials are available from multiple sources. In the case of sole source items, the Company has never suffered production delays as a result of suppliers' inability to supply the parts. The Company believes that it stocks adequate supplies for all materials, based upon backlog, delivery lead-time and anticipated new business. In the ordinary course of business, the Company enters into purchase agreements with some of its major suppliers to supply products over periods of up to 18 months.

The Company also purchases a portion of its finished wafers from foundry sources. If a foundry were to terminate its relationship with the Company, or should the Company's supply from a foundry be interrupted or terminated for any reason, such as a natural disaster or another unforeseen event, the Company may not have sufficient time to replace the supply of products manufactured by that foundry.

There can be no assurance that the Company will obtain sufficient supply of product from foundry or subcontract assembly sources to meet customer demand in the future. Obtaining sufficient foundry capacity is particularly difficult during periods of high demand for foundry services, and may become substantially more difficult and more expensive if the Company's product requirements increase. In addition, because the Company must order products and build inventory substantially in advance of product shipments, there is a risk that the Company will forecast incorrectly and produce excess or insufficient inventories for particular products. This inventory risk is heightened because certain of the Company's key customers place orders with short lead times.

FOREIGN OPERATIONS

The Company conducts a portion of its operations outside the United States and its business is subject to risks associated with many factors beyond its control, such as fluctuations in foreign currency rates, instability of foreign economies and governments, and changes in U.S. and foreign laws and policies affecting trade and investment. The Company owns or leases manufacturing and assembling facilities in Ennis, Ireland and Mumbai, India and is a partner in a venture in The People's Republic of China ("PRC"). No assurance can be made that political and economic factors in such countries will not have material adverse effects on the assets, cash flows and results of operations of the Company.

The Company's Mumbai, India facility assembles a commercial zener diode line to compete in the lower-cost commercial and consumer markets. This plant also performs subcontract coil manufacturing.

The Company's Ennis, Ireland operation manufactures diodes, rectifiers, zeners, thyristors and transistors and supports the manufacturing of other Microsemi operations. This plant is Defense Supply Center Columbus ("DSCC") approved by the U.S. government to screen high reliability product to Military Specification Standard MIL-PRF-19500 and is also European Space Agency qualified. A trading company at this facility services European customers with products from Microsemi U.S. and Asian locations.

SALES TO FOREIGN CUSTOMERS

Sales to foreign customers represented approximately 35%, 37% and 32% of net sales for fiscal years 1999, 2000 and 2001, respectively. Foreign sales are classified based upon a foreign destination of shipment from the Company's facilities. Foreign sales may be subject to political and economic risks, including financial or political instability, currency fluctuations, changes in the effective price of goods in local currencies, the effect of trade sanctions, embargoes, or changes in import/export regulations, tariffs and freight rates and difficulties in collecting receivables and enforcing contracts generally; any of these factors and other trade policies could adversely affect the Company's sales to foreign customers or the collection of receivables generated from such sales. Many of the Company's customers, including aerospace customers, provide the Company minimal information on future ordering plans. Therefore, fluctuations in backlog can be unpredictable.

ORDER BACKLOG

The Company's consolidated order backlog at October 1, 2000 for delivery within twelve months was \$87,335,000, as compared to \$88,763,000 at September 30, 2001. The Company's backlog at any particular date may not be representative of actual sales for any succeeding period because of various factors, which may include that lead times for the release of purchase orders depend upon the scheduling practices of individual customers, and the delivery times of new or non-standard products can be affected by scheduling factors and other manufacturing considerations. The rate of booking new orders can vary significantly from month to month, and there is the continual possibility of customer changes in delivery schedules or cancellations of orders having an adverse effect on actual sales.

Also, a portion of the Company's sales are to military and aerospace markets which are subject to the business risk of changes in governmental appropriations and changes in national defense policies and priorities. All of the Company's contracts with prime U.S. Government contractors contain customary provisions permitting termination at any time at the convenience of the U.S. Government or the prime contractors upon payment to the Company for costs incurred plus a reasonable profit. Certain contracts are also subject to price re-negotiation in accordance with U.S. Government sole source procurement provisions.

COMPETITION

The markets in which the Company competes are extremely competitive. The Company expects that competition will increase. The principal factors of competition in the Company's markets include performance, product features, product availability, price, quality, timing of new product introductions and the emergence of new technologies.

The Company competes in the semiconductor market, particularly in the area of high reliability components. The Company has numerous competitors across all of its product lines. In the defense market, the Company believes that it possesses a considerable share of the market. In the commercial/industrial arena, there are numerous competitors such as Motorola, Inc., Alpha, RFMD, Vitesse, Texas Instruments, Semtech, Linear Tech, Maxim, Vishay, Fairchild Semiconductor and International Rectifier, which are significantly larger and have greater resources and larger market shares than Microsemi. In addition, Microsemi has licensed technology from and to parties, which have, in certain cases, the right to use the technology to develop products competitive with the Company's products. Commercial products are under extreme price pressure due to intense price competition. The market for analog ICs is also intensely competitive. With respect to application-specific data communications devices, the Company's principal competitors are Dallas Semiconductor and Texas Instruments. In the area of integrated circuit products, because the markets are diverse and highly fragmented, the Company expects to encounter different competitors on different products. The Company's principal competitors are expected to include Linear Technology Corporation, Maxim Integrated Products, Inc., Analog Devices Inc., Dallas Semiconductor, Micrel, Motorola, National Semiconductor Corporation, Semtech, Texas Instruments and certain European and Asian manufacturers. Due to the increasing demand for analog circuits, the Company expects intensified competition from existing and new competitors. Increased competition could adversely affect the financial condition, results of operations and cash flows of the Company.

There can be no assurance that the Company will be able to compete successfully in the future. The Company's ability to compete successfully is dependent upon its response to the entry of new competitors, the average selling prices received for its products, changing technology and customer requirements, development or acquisition of new products, the timing of new product introductions by the Company or its competitors, continued improvement of existing products, changes in overall worldwide market and economic conditions, cost effectiveness, quality, service and market acceptance of the Company's products. Price competition in the industry is intense and may increase, which may have a material adverse effect on the Company's operating results. There can be no assurance that the Company will be able to compete successfully as to price or any of these other factors. There can be no assurance that the Company will have the financial resources, technical expertise or marketing, distribution and support capabilities to compete successfully. The Company's future success will be highly dependent upon the successful development and introduction of new products that are responsive to market needs. There can be no assurance that the Company will be able to successfully develop or market any such products.

CHANGES IN TECHNOLOGY

The semiconductor market is subject to changes in technologies and industry standards. To remain competitive, the Company must continue to devote resources to advance process technologies, to increase product performance, to improve manufacturing yields and to improve the mix between the Company's shipment of military and commercial products and between its high cost and low cost products. There can be no assurance that the Company's competitors will not develop new technologies that are superior to the Company's technology.

PROPRIETARY RIGHTS

A portion of the Company's technology is patented. The Company's patents and patent applications may provide some protection of the patent technology for a specified timeframe. There can be no assurance that patents held by the Company will not be challenged, invalidated or circumvented, or that the rights granted thereunder will provide competitive advantages to the Company. The Company believes that patents often provide only narrow protection and require public disclosure of information which negates trade secret protection. The Company relies upon protection of some of its technology as "trade secrets". Protection of technology through patent or trade secret will not necessarily protect the Company from the use by other persons of its technology, or their use of technology that is similar or superior to that which is embodied in the Company's trade secrets. There can be no assurance that others will not be able to independently duplicate or exceed the Company's technology in whole or in part. No assurance can be made that the Company will

be able to maintain the confidentiality of the Company's "trade secret" technology, dissemination of which could have an adverse effect on the Company's business. In addition, litigation may be necessary to determine the scope and the validity of the Company's proprietary rights.

If the Company's products were found to violate a patent or other right of a third party, the Company's business could be adversely affected. In addition, the laws of certain countries in which the Company's products are or may be developed, manufactured or sold, including Hong Kong, Japan, China, Singapore, Thailand and Taiwan, may not protect the Company's products and intellectual property rights to the same extent as the laws of the United States.

MANUFACTURING RISKS

The Company's manufacturing processes are highly complex, require advanced and costly equipment and are continuously being modified in an effort to improve yields and product performance. Modifications as well as minute impurities and other difficulties in the manufacturing process can lower yields. In addition, California and the Pacific Rim are known to contain various earthquake faults. The Company's operations could be materially adversely affected if production at any of its facilities were interrupted for any reason. The Company has at times experienced manufacturing difficulties, and there can be no assurance that the Company will not experience manufacturing difficulties in the future.

The Company subcontracts a portion of its wafer fabrication to outside foundries. There are a number of foundries which, given appropriate lead times, could meet some of Microsemi's needs. However, the Company cannot guarantee that it will be able to meet its customers' required delivery schedules. Because of the unique nature of the manufacturing processes, it would be difficult for Microsemi to arrange for independent suppliers to make wafers in a short period of time. If a fire, natural disaster or any other event prevents Microsemi from operating the factory for more than a few days, the Company's revenue and financial condition could be severely impacted. Microsemi believes that it has sufficient manufacturing capacity to meet its near term plans although prolonged problems with any specific piece of equipment could cause Microsemi to miss its goals.

Microsemi purchases most of its raw materials, including silicon wafers, on a purchase order basis from a limited number of vendors. If any subcontractors or vendors are unable to provide these services or materials in the future, the relationships with Microsemi's customers could be seriously affected and its revenues, financial condition and cash flows could be severely damaged.

After certain wafers are fabricated and tested, they are sent to contract assembly houses to be packaged. Microsemi's integrated circuit products are packaged and tested by a limited number of third party subcontractors in Asian countries. Some of the raw materials included in these operations are obtained from sole source suppliers. Although the Company seeks to reduce its dependence on sole and limited source suppliers both for assembly services and for materials, disruption or financial, operational, production or quality assurance difficulties at any of these sources could occur and cause Microsemi to have severe delivery problems.

EMPLOYEES

On September 30, 2001, the Company employed 1,973 persons domestically including 202 in engineering, 1,518 in manufacturing, 107 in marketing and 146 in general management and administration. Additionally, 456 persons were employed in the Company's Mumbai, India, and Ennis, Ireland operations. None of the Company's employees is represented by a labor union. The Company has experienced no work stoppage and believes its employee relations are good.

DEPENDENCE ON KEY PERSONNEL

The Company's future performance is significantly dependent on the continued active participation of members of its current management. The Company does not have written employment contracts with its employees. Should one or more of the Company's key management employees leave or otherwise become unavailable to the Company, the Company's business and results of operations may be materially adversely affected.

PRODUCT LIABILITY

The Company's business exposes it to potential liability risks that are inherent in the manufacturing and marketing of high-reliability electronic components for critical applications. No assurance can be made that the Company's product liability insurance coverage is adequate or that present coverage will continue to be

available at acceptable costs, or that a product liability claim would not adversely affect the business or financial condition of the Company.

CHANGE OF CONTROL PROVISIONS

The Company's Certificate of Incorporation, Bylaws, Shareholder Rights Plan and certain employment compensation plans contain provisions that make it more difficult for a third party to acquire, or that may discourage a third party from attempting to acquire, control of the Company. In addition, as a Delaware corporation, the Company is subject to the restrictions imposed under Section 203 of the Delaware General Corporation Law, which may deter third parties from engaging in change of control transactions with Microsemi under certain circumstances.

ENVIRONMENTAL REGULATION

While the Company believes that it has the environmental permits necessary to conduct its business and that its operations conform to present environmental regulations, increased public attention has been focused on the environmental impact of semiconductor operations. The Company, in the conduct of its manufacturing operations, has handled and does handle materials that are considered hazardous, toxic or volatile under federal, state and local laws and, therefore, is subject to regulations related to their use, storage, discharge and disposal. No assurance can be made that the risk of accidental release of such materials can be completely eliminated. In addition, the Company operates or owns facilities located on or near real property that formerly might have been used in ways that involved such materials. In the event of a violation of environmental laws, the Company could be held liable for damages and the costs of remediation, and, along with the rest of the semiconductor industry, is subject to variable interpretations and governmental priorities concerning environmental laws and regulations. Environmental statutes have been interpreted to provide for joint and several liability and strict liability regardless of actual fault. There can be no assurance that the Company and its subsidiaries will not be required to incur costs to comply with, or that the operations, business, or financial condition of the Company will not be adversely affected by current or future environmental laws or regulations. (See "Legal Proceedings")

RISKS RELATED TO ACQUISITIONS

The Company's strategy to increase its revenue and the markets it serves has included and may continue to include acquisition of complementary businesses. In and prior to fiscal year 2001, the Company has consummated acquisitions of businesses and product lines and may continue to make acquisitions. There can be no assurance that the Company will be able to identify, acquire or manage such companies or products or successfully integrate such operations into those of the Company without encountering unanticipated costs, liabilities, obligations, delays or other problems. The Company may compete for acquisition and expansion opportunities with companies that have greater resources than the Company. There can be no assurance that suitable acquisition candidates will be available or that acquisitions will be obtainable on terms acceptable to the Company.

ITEM 2. PROPERTIES

The Company's headquarters are located in a rented building complex in Irvine, California. This complex contains general offices and engineering space. The Company owns office, engineering and production facilities in Santa Ana and Garden Grove, California; Broomfield, Colorado; Watertown, Massachusetts; Montgomeryville, Pennsylvania and Ennis, Ireland and leases office, engineering and production facilities in Carlsbad, Los Angeles and Irvine, California; Scottsdale, Arizona; Lawrence, Lowell and Melrose, Massachusetts and Mumbai, India. As described in Note 7 to the Consolidated Financial Statements, the acquisition of land, buildings and additions in Santa Ana were accomplished through the issuance of Industrial Development Bonds. Deeds of trust on the related properties were granted as security for the bonds.

The Company believes that its existing facilities are well-maintained and in good operating condition and that they are adequate for its immediately foreseeable business needs.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various pending litigations arising out of the normal conduct of its business, including those relating to commercial transactions, contracts, and environmental matters. In the opinion of management, the final outcome of these matters will not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

In Broomfield, Colorado, the owner of a property located adjacent to a manufacturing facility owned by a subsidiary of the Company had notified the subsidiary and other parties, claiming that contaminants migrated to his property, thereby diminishing its value. In August 1995, the subsidiary, together with former owners of the manufacturing facility, agreed to settle the claim and to indemnify the owner of the adjacent property for remediation costs. Although TCE and other contaminants previously used at the facility are present in soil and groundwater on the subsidiary's property, the Company vigorously contests any assertion that the subsidiary is the cause of the contamination. In November 1998, the Company signed an agreement with three former owners of this facility whereby the former owners 1) reimbursed the Company for \$530,000 of past costs, 2) will assume responsibility for 90% of all future clean-up costs, and 3) indemnify and protect the Company against any and all third-party claims relating to the contamination of the facility. An Integrated Corrective Action Plan has been submitted to the State of Colorado. Sampling and free phase management plans are in preparation for the Colorado Department of Public Health & Environment. State and local agencies in Colorado are reviewing current data and considering study and cleanup options, and it is not yet possible to predict costs for remediation. In the opinion of management, the final outcome of the Broomfield, Colorado environmental matter will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

On July 31, 2000, Lemelson Medical, Education & Research Foundation, Limited Partnership, filed a first amended complaint in the United States District Court for the District of Arizona alleging that numerous corporations, including the Company, have infringed upon certain of the plaintiff's patents. The plaintiff was seeking compensatory damages, treble damages, injunctive relief and attorneys' fees. This matter was settled on August 31, 2001 by Microsemi's entering into a licensing agreement with the plaintiff. The Company's obligation under the license agreement has not had and is not expected to have any material adverse effect on the Company's financial condition, results of operations or cash flows in the future.

On October 31, 2000, Mitel Semiconductor, Inc. filed a complaint in the Superior Court of the State of California for the County of Orange against the Company and two of its employees. The plaintiff alleges that the Company and former employees of plaintiff utilized alleged confidential information to interfere with the plaintiff's relationship with certain of its employees and that the Company and the other defendants misappropriated plaintiff's alleged trade secrets to unfairly compete. The plaintiff seeks an award of compensatory damages, disgorgement of profits, exemplary damages and a preliminary and permanent injunction. The matter is pending at this time.

On November 28, 2000, Mil-Plus Components, Inc., filed a complaint against the Company in the United States District Court for the Eastern District of New York alleging that the Company violated the anti-trust laws of the United States and the State of New York in connection with the termination of plaintiff as a distributor. The plaintiff also alleges a breach of contract by the Company and that the Company made false oral representations to the plaintiff to the effect that it would not be terminated as a distributor. In its complaint, the plaintiff alleges damages of \$50 million, treble damages, exemplary damages and attorneys' fees. The plaintiff also owes Microsemi in excess of \$200,000 for goods sold and delivered. The matter is pending.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Approval on July 31, 2001 by Written Consent of the Stockholders of an Amendment of the Company's Certificate of Incorporation to increase the number of authorized shares of common stock from 20,000,000 to 100,000,000.

For:	7,662,780
Against:	3,006,408
Abstain:	2,677

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

(a) Market Information

The Company's Common Stock is traded on the NASDAQ National Market under the symbol MSCC. The following table sets forth the high and low closing prices at which the Company's Common Stock traded as reported on the NASDAQ National Market.

Fiscal Year ended October 1, 2000

	<u>HIGH</u>	<u>LOW</u>
1 st Quarter	\$ 4.44	\$ 3.34
2 nd Quarter	24.00	4.22
3 rd Quarter	17.03	9.34
4 th Quarter	21.13	13.97

Fiscal Year ended September 30, 2001

	<u>HIGH</u>	<u>LOW</u>
1 st Quarter	\$ 22.13	\$ 12.02
2 nd Quarter	26.06	9.65
3 rd Quarter	35.50	10.97
4 th Quarter	35.21	22.90

The prices above are adjusted to reflect the Company's 2-for-1 stock split which became effective as of August 28, 2001.

POSSIBLE VOLATILITY OF STOCK PRICES

The market prices of securities issued by technology companies, including the Company, have been volatile. The securities of many technology companies have experienced extreme price and volume fluctuations, which have often been not necessarily related to the companies' respective operating performances. Quarter to quarter variations in operating results, changes in earnings estimates by analysts, announcements of technological innovations or new products, announcements of major contract awards, events involving other companies in or out of the industry, events involving war or terrorism, and other events or factors may have a significant impact on the market price of the Company's Common Stock.

(b) Approximate Number of Common Equity Security Holders

<u>Title of Class</u>	<u>Approximate Number of Record Holders (as of September 30, 2001)</u>
Common Stock, \$0.20 Par Value	396 (1)

- (1) The number of stockholders of record treats all of the beneficial holders of shares held in one "nominee" or "street name" as a unit.

(c) Dividends

In June 2001, the Board of Directors declared a two-for-one stock split of its common stock, to be effected in the form of a stock dividend. On July 31, 2001, the Company's stockholders gave their written consent to amend the Company's certificate of incorporation to increase authorized common shares from 20 million to 100 million. The Board of Directors also announced that written consent had been obtained and approved a 2-for-1 stock split of the Company's issued and outstanding common stock and common stock options effected by way of a common stock dividend payable to the holders of its common stock as of August 14, 2001. The two-for-one stock split resulted in an increase of 14,115,227 shares outstanding. The stock split was completed on August 28, 2001. For all periods presented, all share and per share amounts have been adjusted to give retroactive effect to the stock split.

The Company has not paid cash dividends in the last five years and has no current plans to do so. Debt covenants also restrict the Company from paying cash dividends. (See Note 7 to the Consolidated Financial Statements.)

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

For the five fiscal years in the period ended
September 30, 2001
(Amounts in 000's except per share data)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<u>Selected Income Statement Data:</u>					
Net sales	\$ 163,234	\$ 164,710	\$ 185,081	\$ 247,577	\$ 243,388
Gross profit	\$ 45,987	\$ 46,670	\$ 40,889	\$ 69,975	\$ 81,456
Operating expenses	\$ 23,441	\$ 26,826	\$ 35,781	\$ 54,496	\$ 56,595
Net income	\$ 11,067	\$ 10,941	\$ 1,516	\$ 8,229	\$ 17,289
Earnings per share :					
Basic	\$ 0.65	\$ 0.51	\$ 0.07	\$ 0.34	\$ 0.62
Diluted	\$ 0.52	\$ 0.47	\$ 0.07	\$ 0.33	\$ 0.59
Weighted-average shares outstanding :					
Basic	16,986	21,470	22,262	24,018	27,906
Diluted	23,802	23,912	22,488	25,200	29,579
<u>Selected Balance Sheet Data:</u>					
Working capital	\$ 55,829	\$ 56,682	\$ 43,067	\$ 80,157	\$ 82,252
Total assets	\$ 135,221	\$ 144,473	\$ 181,620	\$ 210,798	\$ 240,171
Long-term debt	\$ 47,621	\$ 18,667	\$ 31,381	\$ 9,651	\$ 6,078
Stockholders' equity	\$ 41,925	\$ 86,636	\$ 82,461	\$ 149,690	\$ 175,389

In fiscal years 1999, 2000 and 2001, \$4,002,000, \$11,196,000 and \$16,122,000 of Research and Development was included in operating expenses.

The selected financial data should be read in conjunction with the Consolidated Financial Statements and Notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

See Part I, Item 1, under "Important Factors Related to Forward-Looking Statements and Associated Risks", and the factors discussed in Part I, Items 1 and 3, and Part II, Item 5.

During the first quarter of fiscal year 2001, the Company changed its method of determining the cost of inventories at its Scottsdale subsidiary ("Scottsdale") from the last-in, first-out ("LIFO") method to the first-in, first-out ("FIFO") method. As required by Accounting Principles Board Opinion No. 20, "Accounting Changes", all previously reported results have been restated to reflect the retroactive application of this accounting change as of the beginning of fiscal year 1999 and to conform to the current year presentation. The effect of the restatements was to increase inventories by \$19,000 and \$53,000 and retained earnings by \$17,000 and \$39,000 at October 3, 1999 and October 1, 2000, respectively (See Notes 1 and 2 to the Consolidated Financial Statements).

On July 31, 2001, the Company's stockholders gave their written consent to amend the Company's Certificate of Incorporation to increase authorized common shares from 20 million to 100 million to approve a 2-for-1 stock split of the Company's issued and outstanding common stock and common stock options effected by way of a common stock dividend payable to the holders of its common stock as of August 14, 2001. For all periods presented, all share and per share amounts have been adjusted to give retroactive effect to the stock split.

On August 2, 2001, Microsemi NES, Inc. ("MNES"), a wholly-owned subsidiary of the Company, acquired the assets of New England Semiconductor Corp. and its wholly-owned subsidiary, of Lawrence, Massachusetts. On August 15, 2001, Microsemi CDI, Inc. ("MCDI"), a wholly-owned subsidiary of the Company, acquired the assets of Compensated Devices, Inc., of Melrose, Massachusetts. Results of operations and cash flows of MNES and MCDI from the dates of acquisitions were included in the consolidated results of operations and cash flows of the Company for fiscal year ended September 30, 2001 (See Note 10 to the Consolidated Financial Statements).

RESULTS OF OPERATIONS FOR FISCAL YEAR 2000 COMPARED TO FISCAL YEAR ENDED 2001.

Net sales decreased \$4.2 million, from \$247.6 million for fiscal year 2000 to \$243.4 million for fiscal year 2001. The decrease was primarily attributable to a decline in products sold to the low-end PC and mobile telephone markets and the elimination or reduction of revenues generated by divisions that were sold or closed, partially offset by higher sales of power management, TVS and RF/Microwave products to the mobile connectivity and telecommunications markets, higher sales to the military and aerospace/satellite customers and the additions of MNES and MCDI. The Company sold the assets of its Micro Commercial Components division ("MCC") and closed this division in June 2000. The Company also closed BKC Semiconductor, Inc. ("BKC") in September 2000, Microsemi PPC Inc. ("PPC") in March 2001 and substantially ceased operations at Microsemi (H.K.) Ltd. ("Hong Kong") in June 2001. For fiscal year 2000, MCC, BKC, PPC and Hong Kong contributed revenues of \$9.8 million, \$6.3 million, \$4.5 million and \$3.9 million, respectively. For fiscal year 2001, PPC, Hong Kong, MNES and MCDI contributed revenues of \$2.8 million, \$2.5 million, \$2.6 million and \$2.5 million, respectively.

Gross profit increased \$11.5 million, from \$70.0 million for fiscal year 2000 to \$81.5 million for fiscal year 2001. As a percentage of sales, gross profit was 28.3% for fiscal year 2000, compared to 33.5% for fiscal year 2001. This increase was due primarily to higher capacity utilization and a shift in revenues from lower-margin commodity products in the computer/peripherals and industrial markets to higher-margin application-specific products in the mobile connectivity, telecommunications, medical and commercial and satellite markets, the closures of certain operations that produced lower-margin products and the additions of MNES and MCDI. In fiscal year 2000, MCC, BKC, PPC and Hong Kong contributed gross profit of \$0.8 million, \$2.7

million, \$0.2 million and \$0.5 million, respectively. In fiscal year 2001, PPC, Hong Kong, MNES and MCDI contributed gross profit of \$1.0 million, \$0.2 million, \$1.1 million and \$1.6 million, respectively.

Selling, general and administrative expenses decreased \$0.8 million from \$38.4 million for fiscal year 2000 to \$37.6 million for fiscal year 2001, primarily due to the elimination and reduction of expenses incurred by the subsidiaries or divisions that were sold or closed, partially offset by the addition of expenses of MNES and MCDI.

Research and development expenses increased \$4.9 million, from \$11.2 million for fiscal year 2000 to \$16.1 million for fiscal year 2001. The increase was primarily due to higher spending on development of power management and RF/Microwave products for the mobile connectivity, telecommunications and medical markets.

The Company used the proceeds from its public offering in fiscal year 2000 to pay down a substantial portion of its debt in June 2000 and invested the residual amount, resulting in net interest income of \$653,000 in fiscal year 2001.

The effective income tax rate was 33.0% in each of the fiscal years ended October 1, 2000 and September 30, 2001, respectively.

RESULTS OF OPERATIONS FOR FISCAL YEAR 1999 COMPARED TO FISCAL YEAR 2000

Net sales increased \$62.5 million from \$185.1 million for fiscal year 1999 to \$247.6 million for fiscal year 2000. The increase was attributed primarily to higher sales of power management and RF/microwave products to the mobile connectivity, telecommunications, computer/peripheral and aerospace/satellite markets. The Company acquired LinFinity Microelectronics, Inc. ("LinFinity") and Microsemi Microwave Products ("MMP") in April and June of 1999, respectively. The Company sold substantially all of the assets of the Micro Commercial Components division ("MCC") in June 2000. LinFinity and MMP aggregately had revenues of \$27.3 million and \$80.8 million in fiscal years 1999 and 2000, respectively. MCC had revenues of \$16.0 million and \$12.4 million in fiscal years 1999 and 2000, respectively.

Gross profit increased \$29.1 million from \$40.9 million for fiscal year 1999 to \$70.0 million for fiscal year 2000. As a percentage of sales, gross profit was 22.1% for fiscal year 1999, compared to 28.3% for fiscal year 2000. The increase was due to higher capacity utilization and an increase in shipments of higher margin power management, TVS, RF/microwave and aerospace/satellite products. For fiscal years 1999 and 2000, respectively, gross profit included \$8.5 million and \$32.8 million for LinFinity and MMP, aggregately, and \$1.5 million and \$1.0 million for MCC.

Selling and general and administrative expenses increased \$10.0 million from \$28.4 million for fiscal year 1999 to \$38.4 million for fiscal year 2000. The increase was primarily due to higher sales volume. For fiscal years 1999 and 2000, respectively, selling and general and administrative expenses included \$4.3 million and \$10.7 million for LinFinity and MMP, aggregately, and \$1.3 million and \$0.8 million for MCC.

Research and development expenses increased \$7.2 million from \$4.0 million for fiscal year 1999 to \$11.2 million for fiscal year 2000. This increase reflected Microsemi's investment to develop new power management and RF products for the high-growth markets.

Acquired in-process research and development expenses of \$2.0 million and \$2.5 million were related to the acquisitions of LinFinity in April 1999 and Micro WaveSys in March 2000, respectively.

Interest expense increased \$0.2 million from \$3.1 million for fiscal year 1999 to \$3.3 million in fiscal year 2000, due to the increases in borrowings to finance the acquisitions in fiscal year 1999. These loans were paid off with proceeds from the public offering of Microsemi's common stock in June 2000.

The effective income tax rates of 23% and 33% for fiscal years 1999 and 2000, respectively, were the combined results of taxes computed on foreign and domestic income. The increase in the fiscal year 2000 effective tax rate was primarily attributable to the effects of permanent differences in fiscal year 2000 on a higher pre-tax income base as compared to fiscal year 1999.

CAPITAL RESOURCES & LIQUIDITY

Net cash provided by operating activities was \$16.1 million, \$35.8 million and \$21.9 million for fiscal years 1999, 2000 and 2001, respectively. The \$19.7 million increase in cash provided by operating activities in 2000 compared to 1999 was primarily attributable to changes in earnings, depreciation and amortization, deferred income taxes, accounts receivable and accrued liabilities. The \$13.9 million decrease in net cash provided by operating activities in 2001 compared to 2000 was a result of the combined impact of greater net income during fiscal year 2001, which was more than offset by the combined effect of differences in certain non-cash financial statement items, such as the provision for returns and doubtful accounts, acquired in-process research and development, deferred income taxes, accounts receivable, inventories, other current assets, accounts payable, accrued liabilities and taxes.

Net cash used in investing activities was \$40.3 million, \$9.8 million and \$29.2 million for fiscal years 1999, 2000 and 2001, respectively. The net cash used in fiscal year 2000 was \$30.5 million less than it had been in fiscal year 1999, primarily due to lower payments for acquisitions. The net cash used in investing activities was \$19.4 million more in fiscal year 2001 than it had been in fiscal year 2000, primarily due to payments for acquisitions (see Note 10 to the consolidated financial statements) and a greater amount of capital expenditures in fiscal year 2001, partially offset by cash received from sales of assets.

Net cash provided by (used in) financing activities was \$22.3 million, (\$3.1) million and \$1.7 million for fiscal years 1999, 2000 and 2001, respectively. The net cash provided by financing activities in fiscal year 1999 related to proceeds from bank loans used to finance acquisitions; partially offset by payments on the Company's debt. In fiscal year 2000, the Company repaid a large portion of its debt with proceeds from a public offering of its common stock and from exercises of employee stock options. The net cash provided from financing activities in fiscal year 2001 was primarily a combined result of proceeds from exercises of employee stock options, partially offset by repayment of a smaller portion of the Company's debt.

Microsemi's operations in the fiscal year ended September 30, 2001 were funded with internally generated funds. The Company has a credit line with a bank, from which it can borrow up to \$30 million. The credit line is collateralized by substantially all of the assets of the Company. This credit line expires in March 2003. As of September 30, 2001, there were no funds borrowed under this credit facility. The credit line includes a facility to issue letters of credit, and \$4.2 million was outstanding in the form of letters of credit as of September 30, 2001. At September 30, 2001, Microsemi had \$24.8 million in cash and cash equivalents.

Based upon information currently available, management believes that Microsemi can meet its current operating cash and debt service requirements and capital commitments with internally generated funds together with its available borrowings. See Notes 7, 9 and 10 to the Consolidated Financial Statements and elsewhere in this Form 10-K for further discussion on debt service requirements and capital commitments of the Company.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 establishes new accounting and reporting standards for business combinations and requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and for all business combinations accounted for by the purchase method for which the date of acquisition is after June 30, 2001. Use of the pooling-of-interest method is prohibited. The acquisitions of New England Semiconductor Corp. and Compensated Devices, Inc. (see Note 10 to the consolidated financial statements) were accounted for under the provisions of SFAS No. 141. Further, goodwill and other intangible assets acquired in these acquisitions will be subject immediately to the provisions of SFAS No. 142. SFAS No. 142, which changes the accounting for goodwill from an amortization method to an impairment-only approach, will be effective on a Company-wide basis at the beginning of the first quarter of fiscal year 2003. The Company is currently evaluating the Company-wide impact of adopting SFAS No. 142.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This Statement will be effective for the Company no later than the first quarter of fiscal year 2003. The Company is currently evaluating the impact of adopting SFAS No. 143.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement will be effective for the Company no later than the first quarter of fiscal year 2003. The Company is currently evaluating the impact of adopting SFAS No. 144.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to various market risks, including changes in foreign currency exchange rates and changes in interest rates. Market risk is the potential loss arising from adverse changes in exchange rates and prices.

The Company conducts business in a number of foreign currencies, principally those of Europe and Asia, directly or in its foreign operations. The Company may receive some revenues in foreign currencies and purchase some inventory in foreign currencies. Accordingly, Microsemi is exposed to transaction gains and losses that could result from changes in exchange rates of foreign currencies relative to the U.S. dollar. Transactions in foreign currencies have represented a relatively small portion of the Company's business. Also these currencies have been relatively stable against the U.S. dollar for the past several years. As a result, foreign currency fluctuations have not had a material impact historically on Microsemi's revenues or results of operations. There can be no assurance that those currencies will remain stable relative to the U.S. dollar or that future fluctuations in the value of foreign currencies will not have material adverse effects on the results of operations, cash flows and financial condition of the Company. The largest foreign currency exposure of the Company results from activity in British pounds and the European Union Euro. The Company has not conducted a foreign currency hedging program thus far. The Company has and may continue to consider the adoption of a foreign currency hedging program.

The Company did not enter into derivative financial instruments and did not enter into any other financial instruments for trading, speculative purposes or to manage its interest rate risk. The Company's other financial instruments consist primarily of cash, accounts receivable, accounts payable, and long-term obligations. The Company's exposure to market risk for changes in interest rates relates primarily to short-term investments and short-term obligations. As a result, the Company does not expect fluctuations in interest rates to have a material impact on the fair value of these instruments. The Company does not engage in transactions intended to hedge its exposure to changes in interest rates.

On August 2, 2001, in connection with an acquisition of operating assets, the Company issued a one-year promissory note in the original principal amount of approximately \$5.8 million structured so that the interest expense on the maturity date will be in a range of a minimum of about \$0.2 million or up to a maximum of about \$1.4 million. Within that range, the interest rate is related linearly to the market price of the Company's Common Stock on the maturity date divided by its price on the issuance date. An increase in the market price of the Company's Common Stock over the period will result in an increase in the related interest payable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MICROSEMI CORPORATION AND SUBSIDIARIES

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Financial statement schedules not listed above are either omitted because they are not applicable or the required information is shown in the consolidated financial statements or in the notes thereto.

Report of Independent Accountants

To the Board of Directors
and Stockholders
of Microsemi Corporation:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Microsemi Corporation and its subsidiaries at September 30, 2001 and October 1, 2000, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2001 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of determining the cost of inventories at its Scottsdale subsidiary from the last-in, first-out ("LIFO") method to the first-in, first-out ("FIFO") method. The change has been applied retroactively by restating the consolidated financial statements for the prior years.

PricewaterhouseCoopers LLP
Orange County, California
November 27, 2001

MICROSEMI CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(amounts in 000's, except per share data)

	October 1, 2000	September 30, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 30,460	\$ 24,808
Accounts receivable, less allowance for doubtful accounts, \$5,767 in 2000 and \$3,584 in 2001	33,029	37,950
Inventories	52,553	58,889
Deferred income taxes	8,392	12,277
Other current assets	2,020	2,072
Total current assets	126,454	135,996
Property and equipment, net	55,458	63,380
Deferred income taxes	2,688	1,671
Goodwill and other intangible assets, net	22,559	37,306
Other assets	3,639	1,818
TOTAL ASSETS	\$ 210,798	\$ 240,171
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable to banks and others	\$ 1,037	\$ 9,766
Current maturities of long-term debt	1,230	3,573
Accounts payable	11,489	11,385
Accrued liabilities	23,992	22,158
Income taxes payable	8,549	6,862
Total current liabilities	46,297	53,744
Long-term debt	9,651	6,078
Other long-term liabilities	5,160	4,960
Commitments and contingencies		
Stockholders' equity:		
Preferred stock (Note 1)	-	-
Common stock, \$0.20 par value; authorized 40,000 and 100,000 shares in 2000 and 2001; issued and outstanding 27,588 and 28,248 shares in 2000 and 2001	5,518	5,650
Capital in excess of par value of common stock	102,402	110,729
Retained earnings	42,807	60,096
Accumulated other comprehensive loss	(1,037)	(1,086)
Total stockholders' equity	149,690	175,389
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 210,798	\$ 240,171

The accompanying notes are an integral part of these statements.

MICROSEMI CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

For each of the three fiscal years in the period ended September 30, 2001
(amounts in 000's, except earnings per share)

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Net sales	\$ 185,081	\$ 247,577	\$ 243,388
Cost of sales	<u>144,192</u>	<u>177,602</u>	<u>161,932</u>
Gross profit	<u>40,889</u>	<u>69,975</u>	<u>81,456</u>
Operating expenses:			
Selling and general and administrative	28,434	38,431	37,643
Amortization of goodwill and other intangible assets	1,395	2,359	2,830
Research and development	4,002	11,196	16,122
Acquired in-process research and development	<u>1,950</u>	<u>2,510</u>	<u>-</u>
Total operating expenses	<u>35,781</u>	<u>54,496</u>	<u>56,595</u>
Operating Income	<u>5,108</u>	<u>15,479</u>	<u>24,861</u>
Other (expenses) income:			
Interest, net	(3,112)	(3,329)	653
Other, net	<u>(36)</u>	<u>133</u>	<u>290</u>
Total other (expenses) income	<u>(3,148)</u>	<u>(3,196)</u>	<u>943</u>
Income before income taxes	1,960	12,283	25,804
Provision for income taxes	<u>444</u>	<u>4,054</u>	<u>8,515</u>
Net income	<u>\$ 1,516</u>	<u>\$ 8,229</u>	<u>\$ 17,289</u>
Earnings per share:			
Basic	<u>\$ 0.07</u>	<u>\$ 0.34</u>	<u>\$ 0.62</u>
Diluted	<u>\$ 0.07</u>	<u>\$ 0.33</u>	<u>\$ 0.59</u>
Weighted-average common shares outstanding :			
Basic	<u>22,262</u>	<u>24,018</u>	<u>27,906</u>
Diluted	<u>22,488</u>	<u>25,200</u>	<u>29,579</u>

The accompanying notes are an integral part of these statements.

MICROSEMI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For each of the three fiscal years in the period ended September 30, 2001
(amounts in 000's)

	Common Stock		Capital in excess of par value of common stock	Retained Earnings	Accumulated other comprehensive loss	Total
	Shares	Amount				
Balance at September 28, 1998	11,666	\$ 2,333	\$ 49,896	\$ 35,734	\$ (946)	\$ 87,017
2-for-1 stock split effected in August 2001	11,666	2,333	(2,333)	-	-	-
Adjusted for stock split	<u>23,332</u>	<u>4,666</u>	<u>47,563</u>	<u>35,734</u>	<u>(946)</u>	<u>87,017</u>
Proceeds from exercise of stock options	28	6	46	-	-	52
Treasury stock repurchased And canceled	(1,520)	(304)	(3,098)	(2,672)		(6,074)
Comprehensive income	-	-	-	1,516	(50)	1,466
Balance at October 3, 1999	<u>21,840</u>	<u>4,368</u>	<u>44,511</u>	<u>34,578</u>	<u>(996)</u>	<u>82,461</u>
Proceeds from exercise of stock options	518	104	2,359	-	-	2,463
Issuance of stock related to an acquisition	624	126	8,937	-	-	9,063
Sales of common stock	4,606	920	44,420	-	-	45,340
Tax benefit - stock options	-	-	2,175	-	-	2,175
Comprehensive income	-	-	-	8,229	(41)	8,188
Balance at October 1, 2000	<u>27,588</u>	<u>5,518</u>	<u>102,402</u>	<u>42,807</u>	<u>(1,037)</u>	<u>149,690</u>
Proceeds from exercise of stock options	660	132	3,918	-	-	4,050
Non employee stock-based compensation	-	-	459	-	-	459
Tax benefit - stock options	-	-	3,950	-	-	3,950
Comprehensive income	-	-	-	17,289	(49)	17,240
Balance at September 30, 2001	<u>28,248</u>	<u>\$ 5,650</u>	<u>\$ 110,729</u>	<u>\$ 60,096</u>	<u>(1,086)</u>	<u>\$ 175,389</u>

The accompanying notes are an integral part of these statements.

MICROSEMI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

For each of the three fiscal years in the period ended September 30, 2001
(amounts in 000's)

	1999	2000	2001
Cash flows from operating activities:			
Net income	\$ 1,516	\$ 8,229	\$ 17,289
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,818	12,161	12,743
Allowance for doubtful accounts	(611)	1,962	(2,193)
Provision for excess and obsolete inventories	5,951	-	-
Loss (gain) on disposition and retirement of assets	-	583	(680)
Acquired in-process research and development	1,950	2,510	-
Deferred income taxes	(2,095)	1,900	1,092
Stock based compensation for services provided	-	-	-
			459
Change in assets and liabilities, net of acquisitions and disposition:			
Accounts receivable	179	(3,216)	(1,044)
Inventories	(2,088)	1,675	(736)
Other current assets	381	199	103
Other assets	-	356	821
Accounts payable	1,017	242	(1,319)
Accrued liabilities	(194)	7,837	(2,912)
Income taxes payable	1,306	1,369	(1,687)
Net cash provided by operating activities	16,130	35,807	21,936
Cash flows from investing activities:			
Purchases of property and equipment	(7,932)	(10,724)	(15,928)
Proceeds from dispositions and sales of assets	-	2,702	1,042
Other assets	(2,837)	-	-
			357
Payments for acquisitions, net of cash acquired	(29,570)	(1,548)	(14,676)
Investment in an unconsolidated affiliate	-	(251)	-
Net cash used in investing activities	(40,339)	(9,821)	(29,205)
Cash flows from financing activities:			
Increase (decrease) in note payable to banks	12,375	(18,500)	-
Payments of notes payable to others	(2)	(1,008)	-
Proceeds from long-term debt	30,800	-	-
Payments of long-term debt	(14,003)	(31,422)	(2,232)
(Decrease) increase in other long-term liabilities	(35)	18	(152)
Repurchases of common stock	(6,914)	-	-
Proceeds from sale of common stock	-	45,340	-
Proceeds from exercise of stock options	52	2,463	4,050
Net cash provided by (used in) financing activities	22,273	(3,109)	1,666
Effect of exchange rate changes on cash	(50)	(41)	(49)
Net (decrease) increase in cash and cash equivalents	(1,986)	22,836	(5,652)
Cash and cash equivalents at beginning of year	9,610	7,624	30,460

Cash and cash equivalents at end of year \$ 7,624 \$ 30,460 \$ 24,808

The accompanying notes are an integral part of these statements.

MICROSEMI CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Microsemi Corporation is a global supplier of commercial and high-reliability analog integrated circuits and power management, mixed-signal and discrete semiconductors serving the satellite, telecommunications, computer and peripherals, military/aerospace, industrial/commercial, and medical markets.

Fiscal Year

The Company reports results of operations on the basis of fifty-two and fifty-three week periods. Fiscal year ended on October 3, 1999 consisted of fifty-three weeks. Each of the fiscal years ended on October 1, 2000 and September 30, 2001 consisted of fifty-two weeks.

Principles of Consolidation

The consolidated financial statements include the accounts of Microsemi Corporation and its wholly/majority-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the respective reporting periods. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying values of cash, cash equivalents, accounts receivable, accounts payable, accrued liabilities, notes payable and certain other current assets and certain other long-term assets approximate their fair values because of the short maturity of these instruments. The carrying values of the Company's long-term debt at October 1, 2000 and September 30, 2001 approximate fair value based upon the current rate offered to the Company for obligations of the same remaining maturities.

Concentration of Credit Risk and Foreign Sales

The Company is potentially subject to concentrations of credit risk consisting principally of trade accounts receivable. Concentrations of credit risk exist because the Company relies on a significant portion of customers whose principal sales are to the U.S. Government. In addition, sales to foreign customers represented approximately 35%, 37% and 32% of net sales for fiscal years 1999, 2000 and 2001 respectively. These sales were principally to customers in Europe and Asia. Foreign sales are classified based upon a foreign destination of shipment from the Company's facilities. The Company maintains reserves for potential credit losses and such losses have been within management's expectations.

Cash and Cash Equivalents

The Company considers all short-term, highly liquid investments with maturities of three months or less at date of acquisition to be cash equivalents.

Investments

The Company's investments in certain unconsolidated affiliates are stated at the lower of cost or estimated net realizable value.

Inventories

Inventories are stated at the lower of cost or market. Cost approximates the first-in, first-out ("FIFO") method. During the first quarter of fiscal year 2001, the Company changed its method of determining the cost of inventories at its Scottsdale subsidiary ("Scottsdale") from the last-in, first-out ("LIFO") method to the FIFO method. The Company believes that the FIFO method is preferable since it will enhance the comparability of the Company's financial statements by changing to the predominant method utilized in its industry and will conform all inventories of the Company to the same accounting method. In addition, Scottsdale has experienced improvements in productivity and permanent declines in inventory costs. Accordingly, the FIFO method will result in a better matching of revenues and costs and measurement of operating results. The Company has also applied to the Internal Revenue Service to change to the FIFO inventory costing method for income tax purposes.

As required by Accounting Principles Board Opinion No. 20, "Accounting Changes", all previously reported results have been restated to reflect the retroactive application of this accounting change as of the beginning of fiscal year 1999 and to conform to the current year presentation. The effect of the restatements was to (decrease) increase inventories by (\$615,000), \$19,000 and \$53,000 and retained earnings by (\$381,000), \$17,000 and \$39,000 at September 27, 1998, October 3, 1999 and October 1, 2000, respectively. This statement did not have a material effect on net income, or earnings per share in fiscal years 1999 and 2000.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease terms or the estimated useful lives. Maintenance and repairs are charged to expense as incurred and the costs of additions and betterments that increase the useful lives of the assets are capitalized. It is the Company's policy to evaluate the carrying value of its operating assets when certain events arise and to recognize impairments when the projected future undiscounted net operating cash flows over the lives of the assets are less than the assets' carrying values.

Intangible Assets

Intangible assets, arising principally from differences between the cost of acquired companies and the underlying values of tangible assets at dates of acquisition (primarily goodwill), are amortized on a straight-line basis over periods not exceeding ten years, except for goodwill and certain other intangibles related to the acquisitions described in Note 10, which are subject immediately to the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets." It is the Company's policy to periodically evaluate the carrying value of its intangible assets, including goodwill, when certain events arise and to recognize impairments when the projected future undiscounted net operating cash flows over the lives of the assets are less than the assets' carrying values.

Revenue Recognition

Revenue is recognized at the time of product shipment. The Company, under specific conditions, permits its customers to return or exchange products. A provision for estimated sales returns is recorded concurrently with the recognition of revenue, based on historical experiences.

Research and Development

The Company expenses the cost of research and development as incurred. Research and development expenses principally comprise payroll and related costs and the cost of prototypes.

Stock-Based Compensation

The Company accounts for its stock-based compensation plans under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. The disclosures required under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-based Compensation" ("SFAS 123"), have been included in Note 8.

Income Taxes

Deferred tax assets and liabilities are recorded for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, all expected future events, including enactment of changes in tax laws or rates are considered. A valuation allowance is provided for deferred tax assets when it is more likely than not that such assets will not be realized through future operations.

Preferred Stock

The Company's certificate of incorporation authorizes the Board of Directors to issue up to 1,000,000 shares of preferred stock and to designate the rights and terms of any such issuances. The Company has not issued any preferred stock.

Earnings Per Share

Basic earnings per share have been computed based upon the weighted-average number of common shares outstanding during the respective periods. Diluted earnings per share have been computed, when the result is dilutive, using the treasury stock method for stock options outstanding during the respective periods and based upon the assumption that the convertible subordinated debentures had been converted into common stock as of the beginning of the respective periods, with a corresponding increase in net income to reflect a reduction in related interest expense, net of applicable taxes.

On July 31, 2001, the Company's stockholders gave their written consent to amend the Company's certificate of incorporation to increase authorized common shares from 20 million to 100 million. The Board of Directors also announced that written consent had been obtained and approved a 2-for-1 stock split of the Company's issued and outstanding common stock and common stock options effected by way of a common stock dividend payable to the holders of its common stock as of August 14, 2001. For all periods presented, all share and per share amounts have been adjusted to give retroactive effect to the stock split.

Earnings per share for each of the three fiscal years in the period ended September 30, 2001 reflect the 2-for-1 stock split completed in August 2001 and were calculated as follows (amounts in 000's, except per share data):

	Fiscal Year		
	1999	2000	2001
BASIC			
Net income	\$ <u>1,516</u>	\$ <u>8,229</u>	\$ <u>17,289</u>
Weighted-average common shares outstanding	<u>22,262</u>	<u>24,018</u>	<u>27,906</u>
Basic earnings per share	\$ <u>0.07</u>	\$ <u>0.34</u>	\$ <u>0.62</u>
DILUTED			
Net income	\$ 1,516	\$ 8,229	\$ 17,289
Interest savings from assumed conversions of convertible debt, net of income taxes	<u>-</u>	<u>68</u>	<u>117</u>
Net income assuming conversions	\$ <u>1,516</u>	\$ <u>8,297</u>	\$ <u>17,406</u>
Weighted-average common shares outstanding for basic	22,262	24,018	27,906
Dilutive effect of stock options	226	1,030	1,340
Dilutive effect of convertible debt	<u>-</u>	<u>152</u>	<u>333</u>
Weighted-average common shares outstanding on a diluted basis	<u>22,488</u>	<u>25,200</u>	<u>29,579</u>
Diluted earnings per share	\$ <u>0.07</u>	\$ <u>0.33</u>	\$ <u>0.59</u>

There were approximately 1,262,000, 52,000 and 113,500 options, in 1999, 2000 and 2001, respectively, which were not included in the computation of diluted EPS because the exercise price was greater than the average market price of the common stock, thereby resulting in an antidilutive effect.

Comprehensive Income

Comprehensive income is defined as the change in equity (net assets) of a business enterprise during the period from transactions and other events and circumstances from non-owner sources. Comprehensive income consists of net income and the change in the cumulative foreign currency translation adjustment. Accumulated other comprehensive loss consists of the cumulative translation adjustment. Total comprehensive income for fiscal years 1999, 2000 and 2001 was \$1,466,000, \$8,188,000 and \$17,240,000, respectively.

Segment Information

The Company uses the management approach for segment disclosure, which designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments.

Recently Issued Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 establishes new accounting and reporting standards for business combinations and requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and for all business combinations accounted for by the purchase method for which the date of acquisition is after June 30, 2001. Use of the pooling-of-interest method is prohibited. The

acquisitions of New England Semiconductor Corp. and Compensated Devices, Inc. (see Note 10 to the consolidated financial statements) were accounted for under the provisions of SFAS No. 141. Further, goodwill and other intangible assets acquired in these acquisitions will be subject immediately to the provisions of SFAS No. 142. SFAS No. 142, which changes the accounting for goodwill from an amortization method to an impairment-only approach, will be effective on a Company-wide basis at the beginning of the first quarter of fiscal year 2003. The Company is currently evaluating the Company-wide impact of adopting SFAS No. 142.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This Statement will be effective for the Company no later than the first quarter of fiscal year 2003. The Company is currently evaluating the impact of adopting SFAS No. 143.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement will be effective for the Company no later than the first quarter of fiscal year 2003. The Company is currently evaluating the impact of adopting SFAS No. 144.

Reclassifications

Certain reclassifications have been made to prior year balances to conform with the current year presentation.

2. INVENTORIES

Inventories are summarized as follows (amounts in 000's):

	October 3, 1999	October 1, 2000	September 30, 2001
Raw materials	\$ 14,002	\$ 12,503	\$ 14,751
Work in process	22,244	22,186	23,565
Finished goods	20,698	17,864	20,573
	<u>\$ 56,944</u>	<u>\$ 52,553</u>	<u>\$ 58,889</u>

During the first quarter of fiscal year 2001, the Company changed its method of determining the cost of inventories at its Scottsdale subsidiary ("Scottsdale") from the last-in, first-out ("LIFO") method to the first-in, first-out ("FIFO") method. The Company believes that the FIFO method is preferable since it will enhance the comparability of the Company's financial statements by changing to the predominant method utilized in its industry and will conform all inventories of the Company to the same accounting method. In addition, Scottsdale has experienced improvements in productivity and permanent declines in inventory costs. Accordingly, the FIFO method will result in a better matching of revenues and costs and measurement of operating results. The Company has also applied to the Internal Revenue Service to change to the FIFO inventory costing method for income tax purposes.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following (amounts in 000's):

	Asset Life	October 1, 2000	September 30, 2001
Buildings	20-40 years	\$ 28,263	\$ 33,501
Property and equipment	3-10 years	64,010	62,231
Furniture and fixtures	5-10 years	1,397	6,033
Leasehold improvements	Life of lease	1,956	4,622
		<u>95,626</u>	<u>106,387</u>
Accumulated depreciation		(50,511)	(57,243)
Land		5,419	5,419
Construction in progress		4,924	8,817
		<u>\$ 55,458</u>	<u>\$ 63,380</u>

Depreciation expense was \$7,423,000, \$9,802,000 and \$9,898,000 in fiscal years 1999, 2000 and 2001 respectively.

At September 30, 2001, land and buildings located at the Santa Ana, California facility were pledged to the City of Santa Ana under the provisions of the loan agreement with the Santa Ana Industrial Development Authority. The land and buildings in Watertown, Massachusetts and in Ennis, Ireland are pledged to Unitrode Corporation under the provisions of the related acquisition agreement. The building and land in Riviera Beach, Florida are pledged to the former owner and a bank under the provisions of the related acquisition and loan agreements. The total net book value of pledged assets was \$9,005,000 and \$8,534,000 at October 1, 2000 and September 30, 2001, respectively.

4. GOODWILL AND OTHER INTANGIBLE ASSETS, NET, AND OTHER ASSETS:

	October 1, 2000	September 30, 2001
Goodwill and other intangible assets, net (amounts in 000's)	\$ <u>22,559</u>	\$ <u>37,306</u>

Accumulated amortization for goodwill and other intangible assets amounted to \$3,937,000 and \$6,707,000 as of October 1, 2000 and September 30, 2001, respectively. Amortization expense for fiscal years 1999, 2000 and 2001 was \$1,231,000, \$2,143,000 and \$2,770,000, respectively.

Other assets consisted of the following (amounts in 000's):

	October 1, 2000	September 30, 2001
Deferred financing expenses, net	\$ 211	\$ 137
Cash surrender value of life insurance	514	-
Notes receivable	1,650	1,441
Property held for sale	734	139
Other	530	101
	<u>\$ 3,639</u>	<u>\$ 1,818</u>

Accumulated amortization for deferred financing expenses amounted to \$1,064,000 and \$1,139,000 as of October 1, 2000 and September 30, 2001, respectively. Amortization expense for fiscal years 1999, 2000 and 2001 was \$164,000, \$216,000 and \$75,000, respectively.

5. **ACCRUED LIABILITIES**

Accrued liabilities consisted of the following (amounts in 000's):

	October 1, 2000	September 30, 2001
	<u> </u>	<u> </u>
Payroll and payroll taxes	\$ 1,829	\$ 2,679
Vacation, sick and other employee benefits	4,749	4,425
Profit sharing	7,032	6,032
Accrued interest	2,235	2,285
Other accrued expenses	8,147	6,737
	<u>\$ 23,992</u>	<u>\$ 22,158</u>

6. **INCOME TAXES**

Pretax income was taxed under the following jurisdictions (amounts in 000's):

	For each of the three fiscal years in the period ended September 30, 2001		
	1999	2000	2001
	<u> </u>	<u> </u>	<u> </u>
Domestic	\$ 566	\$ 10,795	\$ 23,951
Foreign	1,394	1,488	1,853
Total	<u>\$ 1,960</u>	<u>\$ 12,283</u>	<u>\$ 25,804</u>

The provision for income taxes consisted of the following components (amounts in 000's):

	For each of the three fiscal years in the period ended September 30, 2001		
	1999	2000	2001
	<u> </u>	<u> </u>	<u> </u>
Current:			
Federal	\$ 1,988	\$ 3,972	\$ 8,075
State	301	620	1,255
Foreign	250	223	277
Deferred	<u>(2,095)</u>	<u>(761)</u>	<u>(1,092)</u>
	<u>\$ 444</u>	<u>\$ 4,054</u>	<u>\$ 8,515</u>

The tax effected deferred tax assets (liabilities) comprise of the following (amounts in 000's):

	<u>October 1, 2000</u>	<u>September 30, 2001</u>
Accounts receivable	\$ 1,842	\$ 1,684
Inventories	2,171	2,784
Other assets	1,314	1,316
Fixed asset bases	932	932
Accrued employee benefit expenses	3,645	5,565
Accrued other expenses	2,913	3,260
Amortization of intangible assets	1,807	1,966
Gross deferred tax assets	<u>14,624</u>	<u>17,507</u>
Inventory bases	(1,491)	(1,119)
Depreciation	<u>(2,053)</u>	<u>(2,440)</u>
Gross deferred tax liabilities	<u>(3,544)</u>	<u>(3,559)</u>
	<u>\$ 11,080</u>	<u>\$ 13,948</u>

The following is a reconciliation of income tax computed at the federal statutory rate to the Company's actual tax expense (amounts in 000's):

	For each of the three fiscal years in the period ended September 30, 2001		
	<u>1999</u>	<u>2000</u>	<u>2001</u>
Tax computed at statutory rate	\$ 662	\$ 4,299	\$ 9,029
State taxes, net of federal benefit	62	528	1,051
Foreign income taxed at different rates	(224)	(292)	(645)
Non-deductible goodwill amortization	335	316	519
Foreign Sales Corporation benefit	(211)	(237)	(237)
Tax credits	(174)	-	(966)
Adjustments to prior years' tax accruals	-	(579)	(211)
Other differences, net	(6)	19	(25)
	<u>\$ 444</u>	<u>\$ 4,054</u>	<u>\$ 8,515</u>

No provision has been made for future U.S. income taxes on certain undistributed earnings of foreign operations since they have been, for the most part, indefinitely reinvested in these operations. Determination of the amount of unrecognized deferred tax liability for temporary differences related to these undistributed earnings is not practicable. At the end of fiscal year 2001, these undistributed earnings aggregated approximately \$9,717,000.

7. DEBT

Long-term debt consisted of (amounts in 000's):

	October 1, 2000	September 30, 2001
	<u> </u>	<u> </u>
Industrial Development Bond, bearing interest at 6.75%, due February 2005; collateralized by first deed of trust	\$ 4,100	\$ 4,000
Note payable, bearing interest at 5.93%, payable monthly through July 2002	990	450
Notes payable (PPC acquisition), bearing interest at 7%, payable monthly through September 2009	1,585	1,512
Convertible note payable (MWS acquisition), bearing interest at 7%, due February 14, 2002	2,500	2,500
Notes payable, bearing interest at ranges of 5% to 7%, due between October 2001 and September 2014	<u>1,706</u>	<u>1,189</u>
	10,881	9,651
Less current portion	<u>(1,230)</u>	<u>(3,573)</u>
	<u>\$ 9,651</u>	<u>\$ 6,078</u>

Long-term debt maturities, including the current portion, during the next five fiscal years are as follows (amounts in 000's):

2002	\$ 3,573
2003	212
2004	212
2005	3,822
2006	131
Thereafter	<u>1,701</u>
	<u>\$ 9,651</u>

A \$6,500,000 Industrial Development Revenue Bond was originally issued in April 1985, through the City of Santa Ana, California for the construction of improvements and new facilities at the Company's Santa Ana plant. It was remarketed in 1995 and carries an average interest rate of 6.75% per annum. \$4,000,000 of this loan remained outstanding at September 30, 2001. The terms of the bond require annually principal payments of \$100,000 from 2002 to 2004 and \$3,700,000 in 2005. A \$4,155,000 letter of credit is carried by a bank to guarantee the repayment of this bond. There are no compensating balance requirements. An annual commitment fee of 2% is charged on this letter of credit. In addition, the agreement contains covenants regarding net worth and working capital. The Company was in compliance with the aforementioned covenants at September 30, 2001.

In June 1997, the Company entered into a \$2,700,000 equipment loan agreement, providing for monthly principal payments through July 2002 of \$45,000 plus interest at 5.93% per annum. \$450,000 of this loan remained outstanding at September 30, 2001. This loan is collateralized by the related equipment.

In September 1997, the Company issued and assumed notes payable of \$2,370,000 related to the PPC acquisition. These notes are payable to the former owners, bear an interest rate of 7%, and are due in monthly installments of principal and interest over various periods through September 2009. \$1,512,000 of these notes remained outstanding at September 30, 2001. One of these notes is collateralized by the related acquired building.

In February 2000, the Company issued a convertible note payable of \$2,500,000 related to the Micro WaveSys, Inc. ("MWS") acquisition, and which is due on February 14, 2002. This note is payable to Infinesse Corporation, bearing an interest rate of 7% per annum. Interest is payable quarterly. The note holder has the option of converting it into common stock of the Company at \$7.50 per share on or before February 14, 2002.

Other debts consist of various loans bearing interest at ranges from 5% to 7% and require periodic principal payments through September 2014. At September 30, 2001, totals of \$1,189,000 remained outstanding for these loans.

In April 1999, the Company obtained a \$30,000,000 revolving line of credit, which expires in March 2003. The line of credit is collateralized by substantially all of the assets of the Company. It bears interest at the bank's prime rate plus 0.75% to 1.5% per annum or, at the Company's option, at the Eurodollar rate plus 1.75% to 2.5% per annum. The interest rate is determined by the ratio of total funded debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"). The terms of the revolving line of credit contain covenants regarding net worth and working capital and restrict payment of cash dividends or share repurchases. The Company was in compliance with these covenants at September 30, 2001. As of September 30, 2001, there were no funds borrowed under this credit facility. At September 30, 2001, \$25,845,000 was available under the line of credit.

In August 2001, the Company issued a promissory note of \$5,800,000 to the seller related to the New England Semiconductor Corp. acquisition. This note is due in full on or within ten days of August 2, 2002 and is payable in cash or Microsemi common stock at the Company's option. Its interest rate is based upon the difference of the market price of the Company's common stock on August 2, 2001 and August 2, 2002, but cannot be less than 4% or more than 24%. The Company is recording interest expense at the Company's market rate at the date of acquisition.

In August 2001, the Company issued a promissory note of \$3,931,000 to the seller related to the Compensated Devices, Inc. acquisition. This note is due in full on or within ten days of August 15, 2002 and is payable in cash or Microsemi common stock at the Company's option. It bears an interest rate of 6% per annum.

The Company occupies a building in Santa Ana, California, which is under a long-term capital lease obligation. Future annual payments, included in other long-term liabilities at September 30, 2001, due under this capital lease obligation are as follows (amounts in 000's):

Fiscal year ending

2002	\$	283
2003		283
2004		283
2005		283
2006		283
Thereafter		<u>6,509</u>
Total minimum lease payments		7,924
Less imputed interest		<u>(4,816)</u>
Present value of capitalized lease obligation	\$	<u>3,108</u>

The building under this capital lease obligation is reflected in property and equipment, net.

8. STOCK OPTIONS AND EMPLOYEE BENEFIT PLANS

Stock Options

Under the terms of an incentive stock option plan adopted in fiscal year 1982 and amended in fiscal year 1985, nontransferable options to purchase common stock may be granted to certain key employees. The Company reserved 1,500,000 shares for issuance under the terms of the plan. The options may be exercised within ten years from the date they are granted, subject to early termination upon death or cessation of employment, and are exercisable in installments determined by the Board of Directors. For certain significant stockholders, the exercise period is limited to five years and the exercise price is higher.

In December 1986, the Board of Directors adopted another incentive stock option plan (the "1987 Plan"), as amended, which reserved an additional 3,400,000 shares of common stock for issuance. The 1987 Plan was approved by the stockholders in February 1987 and amended in February 1994, and is for the purpose of securing for the Company and its stockholders the benefits arising from stock ownership by selected officers, directors and other key executives and management employees. The plan provides for the grant by the Company of stock options, stock appreciation rights, shares of common stock or cash. In fiscal year 2001, the Company had granted only options under the 1987 Plan. The options may be exercised within ten years from the date they are granted, subject to early termination upon death or cessation of employment, and are exercisable in installments determined by the Board of Directors. For certain significant stockholders, the exercise period is limited to five years and the exercise price is higher.

At their annual meeting on February 29, 2000, the stockholders approved several amendments to the 1987 Plan which: 1) extended its termination date to December 15, 2009; 2) increased initially by 1,060,800 the number of shares available for grants; 3) increases on the first day of each fiscal year, the number of shares available for grant in increments of 4% of the Company's issued and outstanding shares of common stock; and 4) added flexibility by permitting discretionary grants to non-employees directors and other non-employees.

In August 2001, the stockholders authorized, by written consent, to increase the number of shares authorized shares of common stock to 100,000,000. The Board of Directors thereafter effected a two-for-one stock split by means of a stock dividend. The stock dividend resulted in an increase in the number of shares deemed issued under the 1987 Plan, reserved for issuance under outstanding options, and available for grants.

Activity and price information regarding the plans are as follows:

	Stock Options	
	Shares	Weighted-average Exercise Price
Outstanding September 27, 1998	1,274,780	5.22
Granted	832,000	5.03
Exercised	(27,376)	1.88
Expired or canceled	(132,150)	5.41
Outstanding October 3, 1999	1,947,254	5.18
Granted	1,731,000	10.05
Exercised	(517,254)	4.76
Expired or canceled	(101,100)	6.84
Outstanding October 1, 2000	3,059,900	7.95
Granted	1,441,200	17.64
Exercised	(658,192)	6.20
Expired or Canceled	(240,220)	8.58

Outstanding September 30, 2001

3,602,688

11.72

Stock options exercisable were 906,480, 748,450 and 651,613 at October 3, 1999, October 1, 2000 and September 30, 2001, respectively, at weighted-average exercise prices of \$5.20, \$6.08 and \$9.13, respectively. Remaining shares available for grant at October 3, 1999, October 1, 2000 and September 30, 2001 under the plans were 203,000, 150,000 and 1,181,000, respectively. All options were granted at the fair market value of the Company's shares of common stock on the date of grant.

The following table summarizes information about stock options outstanding and exercisable at September 30, 2001:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Shares	Weighted-average Exercise Price	Remaining Life	Shares	Weighted Average Exercise Price
\$ 0.50 - \$ 2.50	106,720	\$ 1.97	2.42 years	106,720	\$ 1.97
\$ 3.38 - \$ 4.94	739,550	\$ 3.62	7.72 years	104,150	\$ 4.33
\$ 5.13 - \$ 6.94	340,600	\$ 5.98	6.59 years	131,900	\$ 5.75
\$ 7.94 - \$ 13.97	552,312	\$ 11.59	8.33 years	97,412	\$ 9.82
\$ 14.00 - \$ 18.50	1,514,506	\$ 14.40	8.88 years	146,181	\$ 14.11
\$ 19.00 - \$ 33.60	349,000	\$ 26.06	9.65 years	65,250	\$ 23.17
	<u>3,602,688</u>			<u>651,613</u>	

For purpose of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting periods. The SFAS 123 method of accounting was not applied to options granted prior to fiscal 1996. The Company's pro forma information is as follows (amounts in 000's, except per share amounts):

	Fiscal Years		
	1999	2000	2001
Net income:			
As reported	\$ 1,516	\$ 8,229	\$ 17,289
Pro forma	\$ 570	\$ 6,071	\$ 12,395
Basic earnings per share:			
As reported	\$ 0.07	\$ 0.34	\$ 0.62
Pro forma	\$ 0.02	\$ 0.25	\$ 0.44
Diluted earnings per share:			
As reported	\$ 0.07	\$ 0.33	\$ 0.59
Pro forma	\$ 0.02	\$ 0.24	\$ 0.42

The fair value of each stock option grant was estimated pursuant to SFAS 123 on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	1999	2000	2001
Risk free interest rate	4.94%	5.90%	5.18%
Expected dividend yield	None	None	None
Expected lives	5 years	5 years	5 years

Expected volatility	67.0%	70.0%	78.0%
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The weighted-average grant date fair values of options granted during fiscal years 1999, 2000 and 2001 were \$3.04, \$6.31 and \$11.12, respectively.

Employee Benefit Plans

The Microsemi Corporation Profit Sharing Plan, adopted by the Board of Directors in fiscal year 1984, covers substantially all full-time employees who meet certain minimum employment requirements and provides for current bonuses based upon the Company's earnings. Annual contributions to the plan are determined by the Board of Directors. Total charges to income were \$1,745,000, \$5,678,000 and \$4,234,000 in fiscal years 1999, 2000 and 2001, respectively.

401(k) Plan

The Company sponsors a 401(k) Savings Plan whereby participating employees may elect to contribute up to 15% of their eligible wages. The Company is committed to match 100% of employee contributions, not to exceed 3% of the employee's wages. The Company contributed \$1,148,000, \$1,415,000 and \$1,387,000 to this plan during fiscal years 1999, 2000 and 2001, respectively.

Supplemental Retirement Plan

In fiscal year 1994, the Company adopted a supplemental retirement plan, which provides certain long-term employees with retirement benefits based upon a certain percentage of the employees' salaries. Included in other long-term liabilities at October 1, 2000 and September 30, 2001 were \$1,351,000 and \$1,248,000, respectively, related to the Company's estimated liability under the plan.

9. COMMITMENTS AND CONTINGENCIES

The Company occupies premises and leases equipment under operating lease agreements expiring through 2029. Aggregate future minimum rental payments during the next five fiscal years under these leases are as follows (amounts in 000's):

2002	\$	3,656
2003		3,319
2004		3,319
2005		3,078
2006		1,288
Thereafter		10,035
	\$	<u>24,695</u>

One of the Company's operating leases contains certain financial covenants. At September 30, 2001, the Company was not in compliance with one of these covenants. The Company has obtained a waiver for the default under the lease agreement through December 30, 2001. If the Company is not able to meet these covenants at December 30, 2001 or obtain further waiver, the lessor may require all future lease payments to be due and payable immediately.

Lease expense charged to income was \$712,000, \$1,235,000 and \$2,161,000 in fiscal years 1999, 2000 and 2001, respectively. The aforementioned amounts are net of sublease income amounting to \$514,000, \$328,000 and \$515,000 in fiscal years 1999, 2000 and 2001, respectively.

The Company is involved in various pending litigations arising out of the normal conduct of its business, including those relating to commercial transactions, contracts, and environmental matters. In the opinion of management, the final outcome of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

In Broomfield, Colorado, the owner of a property located adjacent to a manufacturing facility owned by a subsidiary of the Company had notified the subsidiary and other parties, claiming that contaminants migrated

to his property, thereby diminishing its value. In August 1995, the subsidiary, together with former owners of the manufacturing facility, agreed to settle the claim and to indemnify the owner of the adjacent property for remediation costs. Although TCE and other contaminants previously used at the facility are present in soil and groundwater on the subsidiary's property, the Company vigorously contests any assertion that the subsidiary is the cause of the contamination. In November 1998, the Company signed an agreement with three former owners of this facility whereby the former owners 1) reimbursed the Company for \$530,000 of past costs, 2) will assume responsibility for 90% of all future clean-up costs, and 3) indemnify and protect the Company against any and all third-party claims relating to the contamination of the facility. An Integrated Corrective Action Plan has been submitted to the State of Colorado. Sampling and free phase management plans are in preparation for the Colorado Department of Public Health & Environment. State and local agencies in Colorado are reviewing current data and considering study and cleanup options, and it is not yet possible to predict costs for remediation. In the opinion of management, the final outcome of the Broomfield, Colorado environmental matter will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

On July 31, 2000, Lemelson Medical, Education & Research Foundation, Limited Partnership, filed a first amended complaint in the United States District Court for the District of Arizona alleging that numerous corporations, including the Company, have infringed upon certain of the plaintiff's patents. The plaintiff was seeking compensatory damages, treble damages, injunctive relief and attorneys' fees. This matter was settled on August 31, 2001 by Microsemi's entering into a licensing agreement with the plaintiff. The Company's obligation under the license agreement has not had and is not expected to have any material adverse effect on the Company's financial condition, results of operations or cash flows in the future.

On October 31, 2000, Mitel Semiconductor, Inc. filed a complaint in the Superior Court of the State of California for the County of Orange against the Company and two of its employees. The plaintiff alleges that the Company and former employees of plaintiff utilized alleged confidential information to interfere with the plaintiff's relationship with certain of its employees and that the Company and the other defendants misappropriated plaintiff's alleged trade secrets to unfairly compete. The plaintiff seeks an award of compensatory damages, disgorgement of profits, exemplary damages and a preliminary and permanent injunction. The matter is pending at this time.

On November 28, 2000, Mil-Plus Components, Inc., filed a complaint against the Company in the United States District Court for the Eastern District of New York alleging that the Company violated the anti-trust laws of the United States and the State of New York in connection with the termination of plaintiff as a distributor. The plaintiff also alleges a breach of contract by the Company and that the Company made false oral representations to the plaintiff to the effect that it would not be terminated as a distributor. In its complaint, the plaintiff alleges damages of \$50 million, treble damages, exemplary damages and attorneys' fees. The plaintiff also owes Microsemi in excess of \$200,000 for goods sold and delivered. The matter is pending.

The Company is involved in various pending litigation arising out of the normal conduct of its business, including those relating to commercial transactions, contracts, and environmental matters. In the opinion of management, the final outcome of these matters will not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

10. ACQUISITIONS

On August 2, 2001, Microsemi NES, Inc. ("MNES"), a wholly-owned subsidiary of Microsemi, acquired certain net assets of New England Semiconductor Corp. ("NES") of Lawrence, Massachusetts and its wholly-owned subsidiary ("NESC"). MNES paid approximately \$3,300,000 in cash to the seller and issued a promissory note for \$5,800,000 to the seller. This note is due in full on or within ten days of August 2, 2002 and is payable in cash or Microsemi common stock at the Company's option. Its interest rate is based upon the difference of the market price of the Company's common stock on August 2, 2001 and August 2, 2002, but cannot be less than 4% or more than 24%. Upon close of the transaction, MNES also directly paid in cash, certain existing obligations amounting to \$2,200,000 and assumed \$2,500,000 in other liabilities.

On August 15, 2001, Microsemi CDI, Inc. ("MCDI"), a wholly-owned subsidiary of Microsemi, acquired the assets of Compensated Devices, Inc. ("CDI") of Melrose, Massachusetts. MCDI paid \$7,700,000 in cash and issued a promissory note for \$3,931,000 to the seller. This note is due in full on or within ten days of August 15, 2002 and is payable in cash or Microsemi common stock at the Company's option. It bears an interest rate of 6% per annum. Upon close of the transaction, MCDI also directly paid in cash, certain existing obligations amounting to \$1,400,000 and assumed \$300,000 of other liabilities.

The results of operations of NES and CDI prior to their respective acquisition dates were not material to the Company's consolidated results of operations. Net assets acquired and purchase price for the acquisitions also were not deemed material to the Company's consolidated assets. Accordingly, supplemental pro forma information on results of operations is not presented.

11. SEGMENT INFORMATION

The Company's reportable operating segments are based on geographic location, and the measure of segment profit is income from operations. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Company operates predominantly in a single industry segment as a manufacturer of semiconductors. Geographic areas in which the Company operates include the United States, Ireland, Hong Kong, and India. Intergeographic sales primarily represent intercompany sales which are accounted for based on established sales prices between the related companies and are eliminated in consolidation.

Financial information by geographic segments is as follows (amounts in 000's):

	For Each of the Three Fiscal Years in the Period Ended September 30, 2001		
	1999	2000	2001
Net sales:			
United States:			
Sales to unaffiliated customers	\$ 159,695	\$ 224,212	\$ 214,007
Intergeographic sales	23,463	19,779	27,571
Europe:			
Sales to unaffiliated customers	17,084	19,485	26,842
Intergeographic sales	3,823	3,603	5,275
Asia:			
Sales to unaffiliated customers	8,302	3,880	2,539
Intergeographic sales	4,381	3,901	3,729
Eliminations of intergeographic sales	(31,667)	(27,283)	(36,575)
	<u>\$ 185,081</u>	<u>\$ 247,577</u>	<u>\$ 243,388</u>
Income (loss) from operations:			
United States	\$ 4,397	\$ 14,922	\$ 23,885
Europe	476	441	1,150
Asia	235	116	(174)
Total	<u>\$ 5,108</u>	<u>\$ 15,479</u>	<u>\$ 24,861</u>
Identifiable assets:			
United States	\$ 166,448	\$ 195,693	\$ 224,271
Europe	8,019	8,401	10,609
Asia	7,153	6,704	5,291
Total	<u>\$ 181,620</u>	<u>\$ 210,798</u>	<u>\$ 240,171</u>
Capital expenditures:			
United States	\$ 7,712	\$ 10,498	\$ 15,789
Europe	160	125	124
Asia	60	101	15
Total	<u>\$ 7,932</u>	<u>\$ 10,724</u>	<u>\$ 15,928</u>
Depreciation and amortization:			
United States	\$ 8,334	\$ 11,676	\$ 12,178
Europe	169	190	218
Asia	315	295	347
Total	<u>\$ 8,818</u>	<u>\$ 12,161</u>	<u>\$ 12,743</u>

12. **STATEMENT OF CASH FLOWS**
(amounts in 000's)

For Each of the Three Fiscal Years in the
Period Ended September 30, 2001

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Supplementary information:			
Cash paid during the year for:			
Interest	\$ <u>3,324</u>	\$ <u>4,193</u>	\$ <u>965</u>
Income taxes	\$ <u>1,840</u>	\$ <u>3,484</u>	\$ <u>9,237</u>
Non-cash financing and investing activities:			
Fixed asset purchased through issuance of long-term debt	\$ <u>3,165</u>	\$ <u>-</u>	\$ <u>-</u>
Businesses acquired in purchase transactions (Note 10):			
Fair values of tangible assets acquired	\$ 31,547	\$ 250	\$ 9,671
Goodwill and other intangible assets	5,523	14,860	17,517
Less common stock issued	-	(9,062)	-
Less debt issued and liabilities assumed	<u>(7,500)</u>	<u>(4,500)</u>	<u>(12,512)</u>
Cash paid for acquisition	\$ <u>29,570</u>	\$ <u>1,548</u>	\$ <u>14,676</u>

13. UNAUDITED SELECTED QUARTERLY FINANCIAL DATA

Selected quarterly financial data are as follows (amounts in 000's, except earnings per share):

	Quarters ended in fiscal year 2000			
	January 2, 2000	April 2, 2000	July 2, 2000	October 1, 2000
Net sales	\$ 54,588	\$ 60,972	\$ 66,644	\$ 65,373
Gross profit	\$ 13,577	\$ 17,167	\$ 19,051	\$ 20,180
Net income	\$ 972	\$ 199	\$ 2,823	\$ 4,235
Basic earnings per share	\$ 0.05	\$ 0.01	\$ 0.12	\$ 0.16
Diluted earnings per share	\$ 0.05	\$ 0.01	\$ 0.11	\$ 0.15
	Quarters ended in fiscal year 2001			
	December 31, 2000	April 1, 2001	July 1, 2001	September 30, 2001
Net sales	\$ 63,005	\$ 63,131	\$ 60,089	\$ 57,163
Gross profit	\$ 19,974	\$ 20,553	\$ 20,466	\$ 20,463
Net income	\$ 4,099	\$ 4,269	\$ 4,436	\$ 4,485
Basic earnings per share	\$ 0.15	\$ 0.16	\$ 0.16	\$ 0.16
Diluted earnings per share	\$ 0.14	\$ 0.15	\$ 0.15	\$ 0.15

Earnings per share in prior periods were adjusted to reflect the 2-for-1 stock split completed in August 2001.

MICROSEMI CORPORATION AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(amounts in 000's)

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>	<u>Column F</u>
<u>Classification</u>	<u>Balance at beginning of period</u>	<u>Charged to costs and expenses</u>	<u>Charged to other accounts</u>	<u>Deductions - recoveries and write-offs</u>	<u>Balance at end of period</u>
<u>October 3, 1999</u>					
Allowance for doubtful accounts and reserve for returns	\$ <u>2,457</u>	\$ <u>(230)</u>	\$ <u>1,960</u>	\$ <u>(382)</u>	\$ <u>3,805</u>
Reserve for investments in and advances to unconsolidated affiliates	\$ <u>1,297</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,297</u>
<u>October 1, 2000</u>					
Allowance for doubtful accounts and reserve for returns	\$ <u>3,805</u>	\$ <u>2,296</u>	\$ <u>-</u>	\$ <u>(334)</u>	\$ <u>5,767</u>
Reserve for investments in and advances to unconsolidated affiliates	\$ <u>1,297</u>	\$ <u>1,200</u>	\$ <u>-</u>	\$ <u>(237)</u>	\$ <u>2,260</u>
<u>September 30, 2001</u>					
Allowance for doubtful accounts and reserve for returns	\$ <u>5,767</u>	\$ <u>492</u>	\$ <u>-</u>	\$ <u>(2,675)</u>	\$ <u>3,584</u>
Reserve for investments in and advances to unconsolidated affiliates	\$ <u>2,260</u>	\$ <u>2,533</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,793</u>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

Items 10, 11, 12 and 13 are omitted since the Registrant intends to file a definitive proxy statement with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of Registrant's fiscal year ended September 30, 2001. The information required by those items shall be set forth in that definitive proxy statement and such information is hereby incorporated by reference into this Form 10-K.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

- (a)
1. Financial Statements. See Index under Item 8.
 2. Financial Statement Schedules. See Index under Item 8.
 3. Exhibits:

The exhibits which are filed with this report are listed in the Exhibit Index.

- (b) Reports on Form 8-K.

The following reports on Form 8-K were filed by the Company during the fourth quarter of fiscal year 2001.

1. Form 8K filed August 3, 2001, reporting under Item 2 and Item 9 the acquisition of the assets of New England Semiconductor Corp. ("NES"), as amended by Form 8-K/A, Amendment #1, filed August 31, 2001.
2. Form 8K filed August 16, 2001, reporting under Item 2 and Item 9 the acquisition of the assets of Compensated Devices, Inc. ("CDI"), as amended by Form 8-K/A, Amendment #1, filed August 31, 2001 and by Form 8-K/A, Amendment #2, dated November 7, 2001.
3. Form 8K filed August 29, 2001, reporting under Item 5, Item 7 and Item 9 the amendment and restatement of the Company's Certificate of Incorporation and its 2-for-1 stock split effective August 28, 2001.
4. Form 8-K/A filed August 31, 2001, reporting under Item 2 the CDI asset acquisition and Item 5 the NES asset acquisition, and under Item 7 that the Company has determined that the Item 2 and the Item 7 requirements are not applicable to the acquisitions of assets of NES and attaching, as exhibits under Item 7, the CDI purchase agreements, pending a determination by the Company as to whether such and further information would be actually required as to the CDI asset acquisition.
5. Form 8-K/A filed September 4, 2001 is identical to the Form 8-K/A filed August 31, 2001.

After initial filings on Form 8-K, the Company determined that reporting requirements under Item 2 and Item 7 of Form 8-K do not apply to its acquisition of assets of NES. Accordingly, the Company did not file the NES acquisition agreements in a Form 8-K under Item 7. Subsequently, for the reasons reported in Form 8-K/A, Amendment #2, filed November 7, 2001, the Company determined that the requirements of Item 2 and Item 7 of Form 8-K also do not apply to its acquisition of assets of CDI. Accordingly the Company has not and shall not file audited financial information specified by Item 7 of either such acquired entity or pro forma information specified by Item 7 as to either such acquisition.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MICROSEMI CORPORATION

By /s/ DAVID R. SONKSEN
David R. Sonksen
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer
and Chief Accounting Officer
and duly authorized to sign on
behalf of the Registrant)

Dated: December 20, 2001

POWER OF ATTORNEY

The undersigned hereby constitutes and appoints James J. Peterson and David R. Sonksen, or either of them, his true and lawful attorney-in-fact and agent, with full power of substitution and re-substitution, to sign the report on Form 10-K and any or all amendments thereto and to file the same, with all exhibits thereto, and other documents in connection therewith with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof in any and all capacities.

Pursuant to the requirements of Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/PHILIP FREY, JR.</u>	Chairman of the Board	December 19, 2001
<u>/s/JAMES J. PETERSON</u> James J. Peterson	President and Chief Executive Officer	December 19, 2001
<u>/s/DAVID R. SONKSEN</u> David R. Sonksen	Executive Vice President, Chief Financial Officer, Treasurer and Secretary (principal financial and accounting officer)	December 19, 2001
<u>/s/BRAD DAVIDSON</u> Brad Davidson	Director	December 19, 2001
<u>/s/H.K. DESAI</u> H.K. Desai	Director	December 19, 2001
<u>/s/MARTIN H. JURICK</u> Martin H. Jurick	Director	December 19, 2001
<u>/s/ROBERT B. PHINIZY</u> Robert B. Phinizy	Director	December 19, 2001
<u>/s/JOSEPH M. SCHEER</u> Joseph M. Scheer	Director	December 19, 2001
<u>/s/CARMELO J. SANTORO</u> Carmelo J. Santoro, Ph.D.	Director	December 19, 2001

Exhibits.

EXHIBIT INDEX

Exhibit Number	Description	Sequential Page Number
2.2	Agreement and Plan of Reorganization, dated as of February 10, 1999, among the Registrant, Micro-LinFinity Acquisition Corporation, LinFinity Microelectronics, Inc. and Symmetricom, Inc. (10)	
2.3	Asset Purchase Agreement, dated as of February 15, 2000 between the Registrant and Infinesse Corporation (12)	
3	Bylaws of the Registrant* (1)	
3.1	Amended and Restated Certificate of Incorporation of the Registrant effective August 9, 2001* (15)	
4.2	Rights Agreement dated December 22, 2000 between the Registrant and Mellon Investor Services, LLC, as Rights Agent, and the exhibits thereto (13)	
10.13	The Registrant's 1987 Stock Plan, and amendments thereto*	
10.54	Asset Purchase Agreement dated May 28, 1992 between Micro USPD, Inc., a Delaware corporation and wholly-owned subsidiary of the Registrant ("Micro USPD"), and Unitrode Corporation, a Maryland corporation ("Unitrode") (2)	
10.55	Irish Acquisition Agreement dated July 2, 1992 among Unitrode Ireland, Ltd., an Irish corporation and wholly-owned subsidiary of Unitrode; Unitrode B.V., a Dutch corporation and wholly-owned subsidiary of Unitrode; and Micro (Bermuda), Ltd., a Bermudian corporation and wholly-owned subsidiary of the Registrant ("Micro Bermuda") (3)	
10.56	Dutch Acquisition Agreement dated July 2, 1992 among Unitrode Europe B.V., a Dutch corporation and wholly-owned subsidiary of Unitrode; Unitrode; and Micro Bermuda (4)	
10.69	Letter dated August 31, 1993 from Unitrode to the Registrant providing for amendments with respect to the Asset Purchase Agreement (See Exhibit 10.54) dated May 28, 1992 between Micro USPD and Unitrode excluding exhibits as follows:	

- Amendments to Promissory Notes dated as of September 3, 1993 between Micro USPD and Unitrode and the respective Promissory Notes dated July 2, 1993 attached thereto (5)
- 10.73 Agreement of Sales and License between Raytheon Company and Microsemi Corporation. (6)
- 10.74 Bill of Sales and Purchase agreement dated January 2, 1995 between Telcom Universal Inc. and Microsemi Corporation (6).
- 10.76 Supplement to financing documents (Indenture of Trust and Loan agreement) relating to Industrial Development Authority of the City of Santa Ana, 1985 Industrial Development Revenue Bonds Microsemi Corporation Project) dated as of January 15, 1995. (6)
- 10.78 Motorola-Microsemi PowerMite® Technology Agreement. Portions omitted from this Exhibit have been separately filed with the Commission pursuant to a request for confidential treatment. (7)
- 10.80 Asset Purchase agreement between SGS-Thomson Microelectronics, Inc. and Microsemi RF Products, Inc., formerly known as Micro Acquisition Corp., a wholly owned subsidiary of the Company.(8)
- 10.84 Supplemental Executive Retirement Plan* (9)
- 10.85 Credit Agreement, dated as of April 2, 1999, among the Company, the Lenders from time to time party thereto and Canadian Imperial Bank of Commerce, as Agent (11)
- 10.86 Transition and Consulting Agreement dated January 24, 2001 between Mr. Philip Frey, Jr. and the Registrant* (14)
- 10.87 Agreements dated January 12, 2001 between James J. Peterson and the Registrant* (14)
- 10.88 Agreement dated January 12, 2001 between David R. Sonksen and the Registrant* (14)
- 21 List of Subsidiaries
- 23.1 Consent of Independent Accountants (Form S-3 and Forms S-8)
- 99.1 Information under heading "Risk Factors" in the Form 424B4 Prospectus(pages 4 through 13, inclusive) as filed by the Registrant with the Securities and Exchange Commission on June 1, 2000 is incorporated herein by this reference.

*Indicates that the exhibit contains a management compensatory plan or arrangement.

- (1) Filed in Registration Statement (No. 33-3845) and incorporated herein by this reference.

- (2) Incorporated by reference to Exhibit 2.1 to the Registrant's Form 8 Amendment No. 1, as filed with the Commission on September 8, 1992, to its Current Report on Form 8-K dated July 2, 1992.
- (3) Incorporated by reference to Exhibit 2.2 to the Registrant's Form 8 Amendment No. 1, as filed with the Commission on September 8, 1992, to its Current Report on Form 8-K dated July 2, 1992.
- (4) Incorporated by reference to Exhibit 2.3 to the Registrant's Form 8 Amendment No. 1, as filed with the Commission on September 8, 1992, to its Current Report on Form 8-K dated July 2, 1992.
- (5) Incorporated by reference to the indicated Exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission for the fiscal year ended October 3, 1993.
- (6) Incorporated by reference to the indicated Exhibit to the Registrant's Quarterly Report on Form 10-Q as filed on September 14, 1995 with the Commission for the fiscal quarter ended April 2, 1995
- (7) Incorporated by reference to the indicated Exhibit to the Registrant's Quarterly Report on Form 10-Q as filed on May 10, 1966 with the Commission for the fiscal quarter ended March 31, 1996.
- (8) Incorporated by reference to the indicated Exhibit to the Registrant's Quarterly Report on Form 10-Q as filed on February 13, 1997 with the Commission for the fiscal quarter ended December 29, 1996.
- (9) Incorporated by reference to the indicated Exhibit to the Registrant's Quarterly Report on Form 10-Q as filed on February 9, 1998 with the Commission for the fiscal quarter ended December 28, 1997.
- (10) Incorporated by reference to the indicated Exhibit to the Registrant's Quarterly Report on Form 10-Q as filed on May 18, 1999 with the Commission for the fiscal quarter ended April 4, 1999.
- (11) Incorporated by reference to the indicated Exhibit to the Registrant's Quarterly Report on Form 10-Q as filed on August 16, 1999 with the Commission for the fiscal quarter ended July 4, 1999.
- (12) Incorporated by reference to the indicated Exhibit to the Registrant's Current Report on Form 8-K as filed on March 15, 2000 with the Commission.
- (13) Incorporated by reference to the indicated Exhibit to the Registrant's Registration Statement of Form 8-A12G as filed December 29, 2000
- (14) Incorporated by reference to the indicated Exhibit to the Registrant's Quarterly Report on Form 10-Q as filed on February 13, 2001 with the Commission for the fiscal quarter ended December 31, 2000.
- (15) Incorporated by reference to the indicated Exhibit to the Registrant's Current Report on Form 8-K as filed on August 29, 2001