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New allegations added to defamation lawsuit against Microchip and some executives

Motion by Microchip executives to dismiss claims was denied at February hearing

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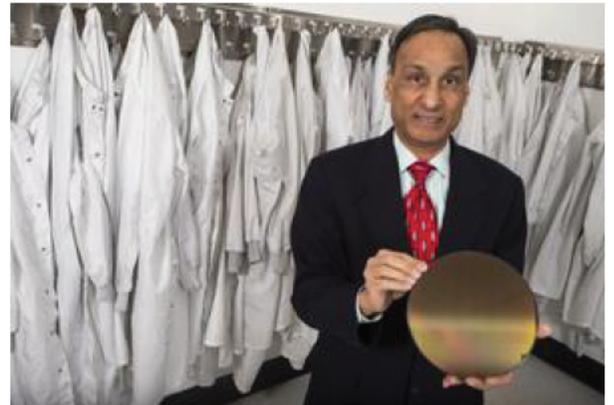
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Four former senior executives from Microsemi Corp. have added another allegation in a defamation lawsuit against Chandler-based Microchip Technology Inc., CEO [Steve Sanghi](#) and the Chandler-based semiconductor manufacturer's senior management.

The suit was filed in October 2018 after Microchip (Nasdaq: MCHP) [completed its \\$10.3 billion acquisition](#) of Microsemi Corp., an Aliso Viejo, California-based semiconductor services provider, in May of that year.

The lawsuit, filed in Orange County Superior Court, seeks the retraction of "numerous allegedly false and defamatory" statements by Microchip after the closing of the merger.

The first amended complaint was filed April 15 in the U.S. District Court of the Central District of California, southern division.



JIM POULIN | PHOENIX BUSINESS JOURNAL

Microchip CEO Steve Sanghi faces a lawsuit filed by former Microsemi executives.

It alleges that Microchip made false and defamatory allegations that have damaged the reputations of the former Microsemi executives. Those former Microsemi executives are seeking \$100 million plus punitive damages.

Microchip executives did not want to comment on the lawsuit.

The former executives behind the suit are James Peterson, who served as Microsemi CEO for the past 18 years; Paul Pickle, who joined Microsemi 18 years ago and most recently served as president and COO; Rick Goerner, who served as Microsemi's executive vice president of worldwide sales; and Philip Sansone, who was Microsemi's vice president of global distribution sales.

Jeff Reeves, an attorney with Theodora Oringher PC law firm in Costa Mesa, California, which filed the case, is the lead trial counsel for the four Microsemi executives. The law firm specializes in high stakes, complex litigation and trials.

Reeves said what Sanghi and his executives did has made it "difficult" for his clients to find employment in the semiconductor industry.

"They would love it if Mr. Sanghi would set the record straight and tell the truth," Reeves said.

The former Microsemi senior executives allege that Sanghi sought to blame them for Microchip's underperformance after the closing of the newly combined company.

"This underperformance was a threat not only to defendants' credibility as semiconductor executives, but also to defendants' relationship with their financiers," the complaint states. "To finance the acquisition of Microsemi, defendants had to borrow upwards of \$8 billion in revolving credit and term loans. This was no small feat as Microchip more than quadrupled its total indebtedness... Post-closing, Microchip's leverage ratio exceeded the levels it had forecasted to its lenders. Sanghi sought to deflect blame from himself and onto plaintiffs for this failing, and for Microchip's overall poor financial performance."

The executives claim Sanghi wanted to avoid paying bonus and incentive compensation, including commissions, that he owed to Microsemi employees.

"Saving money in this fashion would improve Microchip's cash performance and free up Sanghi to pay larger cash dividends, and as explained below, no single shareholder benefits from higher cash dividends more than Sanghi," the complaint states.

The Microsemi executives claim Sanghi and his executives wanted to depress Microchip's stock price to enrich themselves.

The newest allegation claims that "Sanghi, as Microchip's largest individual shareholder, benefited more than any other single shareholder from defendants' scheme."

"By obtaining favorable debt financing terms for the merger, cutting employee compensation and bonuses, and lowering Microchip's performance forecasts, all while justifying their actions with defamatory statements regarding plaintiffs, defendants were able to obtain larger equity grants and benefit from the issuance of record dividend payments to Microchip shareholders in each of the three quarters following the merger," according to the complaint.

Besides Sanghi, the complaint is also against Ganesh Moorthy, Microchip's president and chief operating officer; Mitch Little, Microchip's vice president of worldwide sales and applications; and James "Eric" Bjornholt, Microchip's chief financial officer.

A motion by Sanghi and the other Microchip executives to dismiss the claims was denied at a February hearing.

The long-time chairman and CEO Sanghi was chosen by Phoenix Business Journal readers as the Businessperson of the Year for 2017.

In its latest quarter, Microchip reached record sales of \$1.4 billion in its fiscal third quarter and beat Wall Street earnings estimates, despite many economic challenges.

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