



TECHNOLOGY CONSERVATION GROUP

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August 1, 2011

VIA EMAIL

United States Senate
Committee on Armed Services
Washington, DC 20510-6050

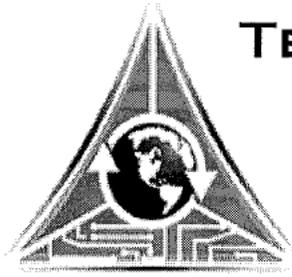
Re: Investigation into counterfeit electronic parts;
Fairchild [REDACTED]

Dear Chairman Levin and Committee Members:

We are in receipt of your request for information regarding the aforementioned part sold to Global IC Trading Group on or about July 27, 2010. In particular, you have asked specific questions with regard to this transaction that are addressed below.

Our records indicate that the parts were received as part of a shipment from Thomson, Inc. ("Thomson"), 104 Feeding Hills Road, Southwick, Massachusetts. The shipment was booked for pickup on or about February 25, 2010 under PO26813-2, and was received at our Louisville, Kentucky facility on March 3, 2010. The material received was pulled, sorted and weighed. Seventy-two pounds of miscellaneous inventory was recorded, among which were 342 pieces of Fairchild [REDACTED] semiconductors. On June 3, 2010, Purchase Invoice PI-23612 was issued to Thomson for the shipment in its entirety. After calculating the value and costs, a total sum of \$134.08 was remitted to Thomson. This sum does not appear to have included any value paid for the miscellaneous inventory.

Before a part is listed, several processes are conducted as required by our procedures. I have included our confidential and proprietary work instructions for New Inventory; Sort, Package and Label New Inventory, and; Research eWorksheet. These work instructions indicate the processes that would have been followed up to the point of listing with regard to the 342 pieces in question. Once sold, the parts would have gone through an additional quality control visual and scope inspection to review for the quality measures indicated in the Sort, Package, and Label New Inventory instruction. If a part is suspected to be counterfeit, that part is isolated in a



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separate locked holding area, is sent for testing by a third party, and if confirmed counterfeit all like pieces scrapped. If informed by a customer of a suspected counterfeit part, we follow the same process upon return of the product by the customer. In this case, there was no indication that the part in question was counterfeit.

On May 27, 2010, following all required research and inquiry, the 342 pieces of Fairchild [REDACTED] semiconductors were entered into our inventory system as available for purchase. On July 19, 2010, Texas Spectrum Electronics, Inc. ("Spectrum") purchased 60 pieces at \$1.00 each and was issued Sales Invoice #SI-44444. On July 27, 2010, Global IC Trading Group ("Global IC") issued Purchase Order #14791 for 60 pieces at \$0.84 each. On July 28, 2010, TCG issued Sales Invoice #SI-44688 for those pieces and shipped via 2nd day air. On August 20, 2010, Purchase Order # PO-102158 was received from Sigma Technology Inc., Ltd. ("Sigma") for the remaining 222 pieces in inventory.

On August 23, 2010, an issue was raised by Global IC regarding the quality of the pieces received. On August 24, 2010, Sigma cancelled its purchase after reviewing photographs of the pieces. Based upon the subsequent quality concerns noted by Global IC and Sigma, the pieces were determined to have higher scrap value than resale value and on August 24, 2010, TCG scrapped the remaining 222 pieces in its inventory. On September 2, 2010, a credit memorandum was issued to Global IC for the 60 pieces, and on September 27, 2010, the 60 returned pieces were also scrapped. To scrap, the items were placed into a 55 gallon drum of like parts and sent directly to Xstrata Recycling, Inc. for smelting. No return was requested or received from Spectrum.

Should you have further questions, please contact me.

Sincerely,

Michele L. Lieberman
General Counsel