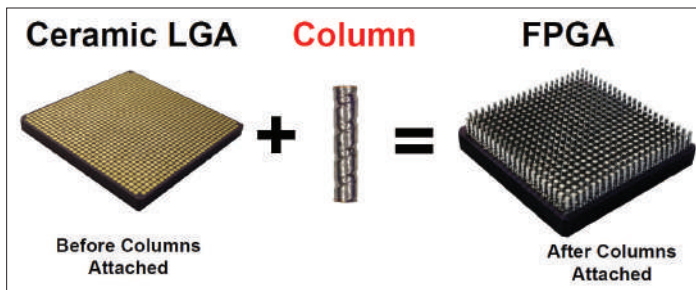


Opinion: AMD's Xilinx acquisition is a problem in the making

While some are applauding AMD's acquisition of Xilinx, a deeper look reveals reasons for possible concern.

Xilinx relies on a tiny subcontractor to provide services for columnizing its space and defense-grade Field Programmable Gate Array (FPGA) devices.

*Opinion by Martin Hart
President & CEO TopLine Corp.
Irvine, California
hart@topline.tv*

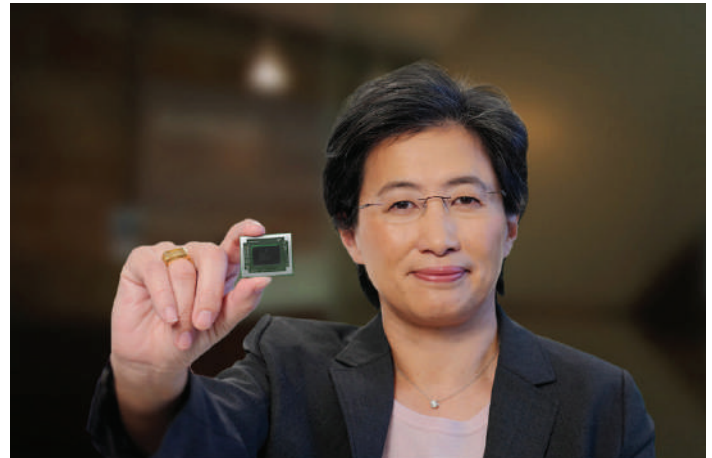


About 90% of defense-grade FPGAs are channeled through a single subcontractor who attaches columns to a ceramic LGA.

Delays might occur

Sales of ruggedized FPGA with solder columns (known as Column Grid Array - CGA) is small as a percentage of AMD's total revenues; but nevertheless, production delays might occur should their sole source contractor fail to deliver.

This could potentially result in massive liability to AMD and its customers. To comply with the Securities and Exchange Commis



AMD's president and CEO Dr. Lisa Su, probably the driving force behind the acquisition, holds an AMD chip.

sion (SEC) regulations, AMD should alert its stockholders to the risks. This would be done typically through management's quarterly disclosure in the *Forward-Looking Information and Risk Factors (1)*.

Companies that sell, buy, or use defense-grade FPGA and Application Specific Integrated Circuits (ASIC) are often divisions or subsidiaries of publicly held companies who are subject to comply with the disclosure regulations of the U.S. Securities and Exchange Commission (SEC).

Cautionary statements

Forward-looking statements are based on management's current views at the time to disclose what may relate to future assumptions, developments, results, conditions or other events that may impact revenues, earnings, market conditions, new strategies and the competitive environment.

next page

AMD's acquisition (from 1)

Management is required to disclose risk factors associated with competitive pressures, consumer demand, regulatory and litigation developments, and to warn stakeholders with a summary of possible unanticipated events such as changes in pricing or delivery that could adversely affect the company materially.

A subjective term

The term "materially" is somewhat subjective and provides "wiggle room" for management to disclose or withhold disclosure commentary.

The acquisition was made last year to acquire Xilinx in an all-stock transaction valued at \$35 billion. "The combination will create the industry's leading high perfor-

mance computing company, significantly expanding AMD's current product offerings," the company said.

Critical step

Customers who sell, buy or use defense-grade FPGA and ASIC devices might not be fully aware that a critical step in the manufacturing process of defense-grade FPGA and ASIC devices involves attaching an interconnect known as a "solder column."

Approximately 10 companies are responsible for supplying 90% of defense-grade FPGA and ASIC devices used by the US defense establishment.

These 10 all rely on a sole-source subcontractor to attach solder columns, without an alternative supplier to support them, even if the primary subcontractor fails to deliver for any number of reasons.

next page

AMD's acquisition (from 2)

Simply stated, if the primary column attachment subcontractor should face a production shut-down, then deliveries of defense-grade FPGA and ASIC devices with column interconnects will come to a halt.

Lack of solder-column devices

The defense establishment would be incapable of providing black box systems to downstream customers due to the lack of FPGA and ASIC devices with solder columns. This would create a dangerous situation.

A stoppage of production, caused by the loss of the sole-source vendor, could trigger a catastrophic chain reaction in the U.S. defense establishment and ultimately adversely affect our allies, who rely on a continuous supply of these products from the USA.

Closer to home, the stoppage of supply of column interconnects could cascade in the widespread loss of jobs for American workers throughout the supply chain.

Risk of a Single-Source Supply

Controlling ownership of the sole-source subcontractor (a privately held company) is nearing an age when most business owners are planning for retirement.

There is a degree of risk in assuming that the sole-source subcontractor will be in business 5 years, 10 years or even 20 years from now.

Companies with aging owners typically begin to wind down their businesses and refrain from deploying fresh capital that would otherwise be used to expand by investing in new equipment and human resources.

Additionally, the current sole-source sub-

contractor might not be able to accommodate a surge in demand for ruggedized FPGA and ASIC components during a national emergency.

Defense-grade FPGA and ASIC devices with solder columns are critically important in a tiny market, one consisting of less than 100,000 devices per year.

Offer incentives

To support the industry, The Department of Defense (DoD) would be well served to offer incentives to encourage the private sector to qualify alternative suppliers of solder columns.

The defense establishment needs to be more involved and to encourage the industrial base to expand their reliance beyond the single source subcontractor who provides 90% of America's solder column attachment services.

A Plan "B" safety net is needed to protect the defense industry in the event of a loss of such a critical supplier.

Conclusion

America needs to shore up its self-reliance on defense grade FPGA components, because our country cannot afford to lose her superiority in these critical devices.

Federal/Defense Acquisition Regulatory Council ("FAR and DFAR") Council has written volumes of regulations in an attempt to spell out and define how industry should work to keep America safe. (2)

Hopefully, proactive thinkers in the supply chain are listening.

References:

1. www.sec.gov/Archives/edgar/data/885639/000119312504045654/dex991.htm
2. www.acquisition.gov/

**Reprinted from TAP TIMES
November 2021**