UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED April 2, 2011

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 000-18032

LATTICE SEMICONDUCTOR CORPORATION
(Exact name of Registrant as specified in its charter)

State of Delaware	**93-0835214**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
5555 N.E. Moore Court, Hillsboro, Oregon	**97124-6421**
(Address of principal executive offices)	**(Zip Code)**

(503) 268-8000
(Registrant's telephone number, including area code)

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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period as the registrant was required to submit and post such files). Yes [ ] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer[ ]	Accelerated filer [X]
Non-accelerated filer [ ]	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

Number of shares of common stock outstanding as of May 3, 2011 117,794,541

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PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. We use words or phrases such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “projects,” “may,” “will,” “should,” “continue,” “ongoing,” “future,” “potential” and similar words or phrases to identify forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements about: programmable Platform Manager devices being expected to simplify board management design; the growth in popularity of mixed signal PLDs that combine digital and analog features; our plan to introduce new FPGA families; our existing facilities being suitable and adequate for our future needs; the majority of our revenue being through our sell-through distributors; changes to our unrecognized tax benefits and expectations regarding taxes and tax adjustments; our expectations that a significant portion of our revenue will continue to be dependent on the communications end market and the growth of our revenue from this end market; the Asia Pacific market being the primary source of our revenue; the costs and benefits of our restructuring plans; the impact of new accounting pronouncements; our making significant future investments in research and development; and our beliefs concerning the adequacy of our liquidity and ability to meet our operating and capital requirements and obligations.

Forward-looking statements involve estimates, assumptions, risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. The key factors that could cause our actual results to differ materially from the forward-looking statements include global economic conditions and uncertainty, the concentration and growth of our sales in the communications equipment end market, particularly as it relates to the concentration of our sales in the Asia Pacific region, market acceptance and demand for our new products, any disruption of our distribution channels, unexpected charges relating to our restructuring plans, the effect of the downturn in the economy on capital markets and credit markets, the impact of competitive products and pricing, unanticipated taxation requirements, or positions of the IRS, unexpected impacts of recent accounting guidance and the other risks that are described herein and that are otherwise described from time to time in our filings with the Securities and Exchange Commission, including, but not limited to, the items discussed in “Risk Factors” in Item 1A of Part II of this Report. You should not unduly rely on forward-looking statements because our actual results could differ materially from those expressed in any forward-looking statements made by us. In addition, any forward-looking statement applies only as of the date on which it is made. We do not plan to, and undertake no obligation to, update any forward-looking statements to reflect events or circumstances that occur after the date on which such statements are made or to reflect the occurrence of unanticipated events.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LATTICE SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(unaudited)

	Three Months Ended	
	April 2, 2011	April 3, 2010
Revenue	$ 82,615	$ 70,432
Costs and expenses:		
Cost of products sold	33,006	29,264
Research and development	20,140	14,682
Selling, general and administrative	17,170	15,418
Restructuring charges	1,835	82
	72,151	59,446
Income from operations	10,464	10,986
Other income, net	663	302
Income before provision for income taxes	11,127	11,288
Provision for income taxes	208	199
Net income	$ 10,919	$ 11,089
Net income per share:		
Basic	$ 0.09	$ 0.10
Diluted	$ 0.09	$ 0.10
Shares used in per share calculations:		
Basic	117,996	115,669
Diluted	121,864	116,717

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

LATTICE SEMICONDUCTOR CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and par value data)
(unaudited)

	April 2, 2011	January 1, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 182,450	$ 174,384
Short-term marketable securities	53,219	63,836
Accounts receivable, net	49,904	41,188
Inventories	38,069	37,333
Prepaid expenses and other current assets	8,502	8,648
Total current assets	332,144	325,389
Property and equipment, less accumulated depreciation	40,385	39,322
Long-term marketable securities	7,389	10,232
Other long-term assets	2,534	2,744
Total assets	$ 382,452	$ 377,687
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 26,281	$ 26,994
Accrued payroll obligations	8,260	11,654
Deferred income and allowances on sales to sell-through distributors	15,925	15,692
Total current liabilities	50,466	54,340
Long-term liabilities	3,867	4,625
Total liabilities	54,333	58,965
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value, 10,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $.01 par value, 300,000,000 shares authorized, 117,881,000 and 117,971,000 shares issued and outstanding, excluding 222,000 and 371,000 shares of treasury stock	1,179	1,179
Paid-in capital	628,711	630,184
Accumulated other comprehensive income	450	499
Accumulated deficit	(302,221)	(313,140)
Total stockholders' equity	328,119	318,722
Total liabilities and stockholders' equity	$ 382,452	$ 377,687

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

LATTICE SEMICONDUCTOR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Three Months Ended	
	April 2, 2011	April 3, 2010
Cash flows from operating activities:		
Net income	$ 10,919	$ 11,089
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,083	3,508
Gain on sale of marketable securities	(590)	—
Stock-based compensation	1,344	1,195
Changes in assets and liabilities:		
Accounts receivable, net	(8,716)	(14,752)
Inventories	(736)	1,245
Prepaid expenses and other current assets	(822)	(510)
Foundry advances (includes advance credits)	—	6,221
Accounts payable and accrued expenses (includes restructuring)	(1,161)	3,985
Accrued payroll obligations	(3,394)	2,868
Deferred income and allowances on sales to sell-through distributors	233	6,575
Other liabilities	(138)	(530)
Net cash provided by operating activities	1,022	20,894
Cash flows from investing activities:		
Proceeds from sales or maturities of marketable securities	27,910	5,152
Purchase of marketable securities	(13,984)	(24,008)
Capital expenditures	(4,065)	(1,954)
Net cash provided by (used in) investing activities	9,861	(20,810)
Cash flows from financing activities:		
Net share settlement upon issuance of RSUs	(223)	(96)
Purchase of treasury stock	(4,330)	—
Net proceeds from issuance of common stock	1,736	63
Net cash used in financing activities	(2,817)	(33)
Net increase in cash and cash equivalents	8,066	51
Beginning cash and cash equivalents	174,384	156,069
Ending cash and cash equivalents	$ 182,450	$ 156,120
Supplemental disclosures of non-cash investing and financing activities:		
Unrealized gain (loss) on assets measured at fair value, net, included in Accumulated other comprehensive income	$ 9	$ (39)
Distribution of deferred compensation from trust assets	$ 108	$ 109

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

LATTICE SEMICONDUCTOR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Basis of Presentation and Significant Accounting Policies:

The accompanying Condensed Consolidated Financial Statements are unaudited and have been prepared by Lattice Semiconductor Corporation (the “Company”, “we”, “us” or “our”) pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and in our opinion include all adjustments, consisting of normal recurring adjustments, necessary for the fair statement of results for the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These Condensed Consolidated Financial Statements should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended January 1, 2011.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and classification of assets, such as marketable securities, accounts receivable, inventory, auction rate securities, deferred income taxes and liabilities, accrued expenses (including restructuring charges and accrual for bonus arrangements), income taxes, deferred income and allowances on sales to certain sell-through distributors, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the fiscal periods presented. Actual results could differ from these estimates.

We report based on a 52 or 53-week fiscal year ending on the Saturday closest to December 31. Our first quarter of fiscal 2011 and first quarter of fiscal 2010 ended on April 2, 2011 and April 3, 2010, respectively. All references to quarterly or three months ended financial results are references to the results for the relevant fiscal period.

Cash Equivalents and Marketable Securities

We consider all investments that are readily convertible into cash and have original maturities of three months or less, to be cash equivalents. Cash equivalents consist primarily of highly liquid investments in time deposits or money market accounts and are carried at cost. We account for marketable securities as available for sale with unrealized gains or losses recorded as Accumulated other comprehensive income, unless losses are considered other-than-temporary, in which case, losses are charged to the Condensed Consolidated Statements of Operations.

Concentration Risk

Potential exposure to concentration risk consists primarily of cash and cash equivalents, marketable securities, trade receivables and supply of wafers for our new products. We place our investments primarily through four financial institutions and mitigate the concentration of credit risk by placing percentage limits on the maximum portion of the investment portfolio which may be invested in any one investment instrument. The Company's investment policy defines approved credit ratings for investment securities. Investments consisted primarily of money market instruments, “AA” or better corporate notes and bonds, “AA” or better rated U.S. municipal notes, and U.S. government agency obligations. See Note 3 for a discussion of the liquidity attributes of our marketable securities.

Concentration of credit risk with respect to trade receivables is mitigated by a geographically diverse customer base and our credit and collection process. Accounts receivable are recorded at the invoice amount, do not bear interest, and are shown net of allowances for doubtful accounts of $0.9 million at both April 2, 2011 and January 1, 2011. We perform credit evaluations for essentially all customers and secure transactions with letters of credit or advance payments where appropriate. We regularly review our allowance for doubtful accounts and the aging of our accounts receivable. Write-offs for uncollected trade receivables have not been significant to date.

We rely on Fujitsu Limited ("Fujitsu") for essentially all wafer purchases for our new products.

Revenue Recognition and Deferred Income

Revenue from sales to customers is recognized upon shipment, or in the case of sales by our sell-through distributors, at the time of reported resale, provided that persuasive evidence of an arrangement exists, the price is fixed or determinable, title has transferred, collection of resulting receivables is reasonably assured, there are no customer remaining acceptance requirements and no remaining significant obligations. We sell our products directly to end customers or through a network of independent manufacturers' representatives and indirectly through a network of independent sell-in and sell-through distributors. Distributors provide us periodic data regarding the product, price, quantity and end customer when products are resold as well as the quantities of our products they still have in stock. We must use estimates and apply judgment to reconcile sell-through distributors' reported inventories to their activities. Any differences between our estimates and actual results could lead to inaccurate reporting of our Revenue, Cost of products sold, Deferred income and allowances on sales to sell-through distributors, and Net income.

At the time of shipment to a sell-through distributor amounts are invoiced at published list price. The final price is set at the time of resale and is determined in accordance with a distributor price agreement. Amounts invoiced are recorded in Accounts receivable, net and inventory is transferred from Inventories to Deferred income and allowances on sales to sell-through distributors. Revenue and cost of products sold to sell-through distributors are deferred until either the product is resold by the distributor or, in certain cases, return privileges terminate, at which time Revenue and Cost of products sold are reflected in Net income. Our estimate of inventory valued at published list price and held by sell-through distributors with right of return totaled $47.6 million and $50.1 million at April 2, 2011 and January 1, 2011, respectively. Distributor advances totaled $24.7 million and $26.8 million at April 2, 2011 and January 1, 2011, respectively and are recorded in Deferred income and allowances to sell-through distributors. Deferred costs of sales related to inventory held by sell-through distributors totaled $7.0 million and $7.6 million at April 2, 2011 and January 1, 2011, respectively.

We expect the majority of our revenue in fiscal 2011 will be from reported resale from our sell-through distributors. Resale of product by sell-through distributors as a percentage of our total revenue was 62% and 55% for the three months ended April 2, 2011 and April 3, 2010, respectively.

Revenue from software licensing was not material for the periods presented.

New Accounting Pronouncements

There were no new accounting pronouncements during the three months ended April 2, 2011 that are expected to have a material impact on the Company's Condensed Consolidated Financial Statements.

Note 2 - Net Income Per Share:

Net income per share is computed based on the weighted average number of shares of common stock and potentially dilutive securities assumed to be outstanding during the period using the treasury stock method. Potentially dilutive securities consist of stock options, restricted stock units (“RSUs”) and employee stock purchase plan ("ESPP") shares.

A reconciliation of basic and diluted Net income per share is presented below (in thousands, except per share data):

	Three Months Ended	
	April 2, 2011	April 3, 2010
Basic and diluted Net income	$ 10,919	$ 11,089
Shares used in basic Net income per share	117,996	115,669
Dilutive effect of stock options, RSUs and ESPP shares	3,868	1,048
Shares used in diluted Net income per share	121,864	116,717
Basic Net income per share	$ 0.09	$ 0.10
Diluted Net income per share	$ 0.09	$ 0.10

The computation of diluted net income per share for the first quarter of fiscal 2011, excludes the effects of stock options and RSUs aggregating 3.2 million shares, as they are antidilutive. The computation of diluted net income per share for the first quarter of fiscal 2010, excludes the effects of stock options and RSUs aggregating 5.9 million shares, as they are antidilutive. Stock options, RSUs and ESPP shares are considered antidilutive when the aggregate of exercise price, unrecognized stock-based compensation expense and excess tax benefit are greater than the average market price for our common stock during the period or when the Company is in a net loss position. Stock options and RSUs that are antidilutive in the first quarter of fiscal 2011 could become dilutive in the future.

Note 3 - Marketable Securities:

The following table summarizes the contractual maturities of our marketable securities (at fair value and in thousands):

	April 2, 2011	January 1, 2011
Short-term marketable securities:		
Maturities of less than five years	$ 53,219	$ 63,836
Long-term marketable securities:		
Maturities of more than ten years	7,389	10,232
	$ 60,608	$ 74,068

The following table summarizes the composition of our marketable securities (at fair value and in thousands):

	April 2, 2011	January 1, 2011
Short-term marketable securities:		
Corporate and government bonds and notes and commercial paper	$ 53,219	$ 63,836
Long-term marketable securities:		
Federally-insured or FFELP guaranteed student loans	7,389	10,232
	$ 60,608	$ 74,068

The following table summarizes the composition of our auction rate securities (in thousands):

	April 2, 2011			January 1, 2011		
	Par Value	Fair Value	S&P Credit rating	Par Value	Fair Value	S&P Credit rating
Long-term marketable securities:						
Federally-insured or FFELP guaranteed student loans	$ 8,300	$ 7,389	AAA	$ 11,600	$ 10,232	AAA
	$ 8,300	$ 7,389		$ 11,600	$ 10,232	

On March 29, 2011, the Company sold student loan auction rate securities, with a par value of $3.3 million and fair value of $2.8 million for $3.3 million, reported a gain of $0.6 million and relieved $0.1 million of previously unrecognized gain in Accumulated other comprehensive income, in the first quarter of fiscal 2011. At April 2, 2011, due to continued multiple failed auctions and a determination of illiquidity, the auction rate securities held by the Company are classified as Long-term marketable securities. These auction rate securities are exposed to risks associated with student loan asset-backed notes. Such loans are insured by the federal government or guaranteed by the Federal Family Educational Loan Program. The Company intends to sell its auction rate securities as markets for these securities resume or reasonable offers become available.

Note 4 - Fair Value of Financial Instruments:

	Fair value measurements as of April 2, 2011			
	Total	Level 1	Level 2	Level 3
Short-term marketable securities	$ 53,219	$ 53,219	$ —	$ —
Long-term marketable securities	7,389	—	—	7,389
	$ 60,608	$ 53,219	$ —	$ 7,389

We invest in various financial instruments including corporate and government bonds and notes, commercial paper and auction rate securities. The Company carries these instruments at their fair value in accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures" ("ASC 820"). The framework under the provisions of ASC 820 establishes three levels of inputs that may be used to measure fair value. Each level of input has different levels of subjectivity and difficulty involved in determining fair value.

Level 1 instruments generally represent quoted prices in active markets. Therefore, determining fair value for Level 1 instruments generally does not require significant management judgment, and the estimation is not difficult. Our Level 1 instruments consist of federal agency, municipal or corporate notes and bonds that are traded in active markets and are classified as Short-term marketable securities on our Condensed Consolidated Balance Sheet.

Level 2 instruments include inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices for identical instruments in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. We have no investments in Level 2 instruments.

Level 3 instruments include unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Our auction rate securities are classified as Level 3 instruments. Management uses a combination of the market and income approach to derive the fair value of auction rate securities, which includes third party valuation results, investment broker provided market information and available information on the credit quality of the underlying collateral. As a result, the determination of fair value for Level 3 instruments requires significant management judgment and subjectivity. Our Level 3 instruments are classified as Long-term marketable securities on our Condensed Consolidated Balance Sheet.

During the three months ended April 2, 2011 and April 3, 2010, the following changes occurred in our Level 3 instruments (in thousands):

	Three Months Ended	
	April 2, 2011	April 3, 2010
Beginning fair value of Long-term marketable securities	$ 10,232	$ 12,939
Fair value of securities sold or redeemed	(2,843)	(117)
Ending fair value of Long-term marketable securities	$ 7,389	$ 12,822

In accordance with ASC 320, “Investments-Debt and Equity Securities,” the Company recorded an unrealized gain of less than $0.1 million during the three months ended April 2, 2011 on certain Short-term marketable securities (Level 1 instruments), which has been recorded in Accumulated other comprehensive income. Future fluctuations in fair value related to these instruments that the Company deems to be temporary, including any recoveries of previous write-downs, would be recorded to Accumulated other comprehensive income. In addition, during the three months ended April 2, 2011, the Company realized a gain of $0.6 million related to the sale of a portion of its Long-term marketable securities portfolio. If the Company were to determine in the future that any further decline in fair value is other-than-temporary, we would record an impairment charge, which could have a materially detrimental impact on our operating results. If we were to liquidate our position in these securities, it is likely that the amount of any future realized gain or loss would be different from the unrealized gain or loss reported in Accumulated other comprehensive income or the previously reported other-than-temporary impairment charge.

Note 5 - Inventories (in thousands):

	April 2, 2011	January 1, 2011
Work in progress	$ 27,638	$ 25,516
Finished goods	10,431	11,817
	$ 38,069	$ 37,333

Note 6 - Changes in Stockholders' Equity and Comprehensive Income (in thousands):

	Common stock	Paid-in capital	Treasury stock	Accumu-lated deficit	Accumu-lated other compre-hensive income	Total
Balances, January 1, 2011	$ 1,179	$ 630,184	$ —	$ (313,140)	$ 499	$ 318,722
Net income for the quarter ended April 2, 2011	—	—	—	10,919	—	10,919
Unrealized gain, net, related to marketable securities	—	—	—	—	9	9
Recognized gain on redemption of marketable securities, previously unrealized	—	—	—	—	(133)	(133)
Translation adjustments	—	—	—	—	75	75
Comprehensive income	—	—	—	—	—	10,870
Common stock issued in connection with the exercise of stock options, ESPP and vested RSUs (net of taxes)	7	1,506	—	—	—	1,513
Stock repurchase	(7)	—	(4,323)	—	—	(4,330)
Retirement of repurchased stock	—	(4,323)	4,323	—	—	—
Stock-based compensation expense related to stock options, ESPP and RSUs	—	1,344	—	—	—	1,344
Balances, April 2, 2011	$ 1,179	$ 628,711	$ —	$ (302,221)	$ 450	$ 328,119

On October 21, 2010, the Company's Board of Directors approved a stock repurchase program pursuant to which up to $20.0 million of outstanding common stock may be repurchased from time to time. The duration of the repurchase program is twelve months. In connection with this stock repurchase program, the Company entered into a 10b5-1 plan. During the first quarter of fiscal 2011, approximately 700,000 shares were repurchased for $4.3 million. During fiscal 2010, approximately 371,000 shares were repurchased for $2.0 million. All shares repurchased under this program were retired by April 2011. All repurchases have and will be open market transactions and funded from available working capital. The number of shares that will be repurchased in the future will depend on market conditions, including the price of the common stock.

Note 7 - Income Taxes:

We are subject to federal income tax as well as income tax of multiple state and foreign jurisdictions. We are no longer subject to federal, state and local, or foreign income tax examinations for years before 2001. We have federal net operating loss carryforwards that expire at various dates between 2023 and 2029. We have state net operating loss carryforwards that expire at various dates from 2011 through 2029. We also have federal and state credit carryforwards, some of which do not expire, with the remainder expiring at various dates from 2011 through 2031. We have provided a valuation allowance equal to our net federal and state deferred tax assets as we have not met the more-likely-than-not realization threshold for deferred tax asset recognition. We evaluate both positive and negative evidence to determine if some or all of our deferred tax assets should be recognized on a quarterly basis. In future periods, if we determine that we are more-likely-than-not to realize some or all of our deferred tax assets, we will recognize a deferred tax asset and a benefit in the period in which such determination is made. As of April 2, 2011, the net deferred tax asset relates to foreign jurisdictions where we have concluded it is more-likely-than-not that we will realize the net deferred tax assets in future periods.

The Internal Revenue Service ("IRS") has examined our income tax returns for 2001 and 2002, and has issued proposed adjustments of $1.4 million, plus interest. These adjustments relate to the treatment of acquisition costs and a tax accounting method change for prepaid expenses. Although we do not agree with the proposed adjustment related to the prepaid expense matter, we believe that we have reached a tentative agreement concerning the acquisition costs. During the three months ended March 29, 2008, we made a payment of $0.3 million related to this tentative agreement. On May 23, 2008, the Company filed a petition with the Tax Court seeking a redetermination of the prepaid expense adjustment. Although the final resolution of this matter is uncertain, we believe that adequate amounts have been provided for as unrecognized tax benefits. There is the possibility of either a favorable or unfavorable effect on our results of operations in the period in which these matters are effectively settled. We will recognize any uncertain tax benefit in the period settled.

We are not currently under examination in any state, local or foreign jurisdictions. A 2008 Taiwan exam has been settled with no material adjustments.

We believe that it is reasonably possible that $1.5 million of unrecognized tax benefits and $1.0 million of associated interest and penalties could significantly change during the next twelve months. The $2.5 million potential change would represent a decrease in unrecognized tax benefits, comprised of items related to matters currently being litigated with the IRS, certain federal and state credits and uncertain income tax positions related to foreign tax filings for years that will no longer be subject to examination under expiring statutes of limitations.

We are paying foreign income taxes, which are reflected in the Provision for income taxes in the Condensed Consolidated Statements of Operations and are primarily related to the cost of operating an offshore research and development subsidiary and sales subsidiaries. We are not currently paying federal income taxes and do not expect to pay such taxes until the benefits of our tax net operating losses are fully utilized. We expect to pay a nominal amount of state income tax. We accrue interest and penalties related to uncertain tax positions in the Provision for income taxes.

Note 8 - Restructuring:

During 2011, the Company's Board of Directors adopted a restructuring plan to more efficiently implement the Company's product development strategy and to better align the Company's corporate strategy with the Company's sales resources (the “2011 restructuring plan”). In connection with the 2011 restructuring plan, the Company will reduce and refocus its headcount at certain of its research and development facilities, including Pennsylvania and Shanghai, China. The 2011 restructuring plan will be substantially implemented during 2011, with a total projected restructuring charge of approximately $3.0 million to $6.0 million through fiscal 2012, of which $2.7 million was recorded in the first quarter of fiscal 2011.

During fiscal 2009, we initiated a restructuring plan ("2009 restructuring plan") to lower operating expenses primarily by reducing headcount, reducing occupancy in certain leased facilities and to transfer inventory management, order fulfillment, and direct sales logistics from our headquarters in Oregon to a third party contractor in Singapore. In addition, the Company established an operations center in Singapore to transfer some of its supply chain activities from the Company’s headquarters in Oregon. As part of the 2011 restructuring plan we updated our estimate of the remaining severance and lease loss reserve for the 2009 restructuring plan. This resulted in a credit to restructuring charge of $0.8 million, primarily for re-occupying certain leased facilities.

At April 2, 2011, the Condensed Consolidated Balance Sheet included an accrual of $2.5 million primarily related to severance and related expenses under the provisions of the 2011 restructuring plan. In addition, the Condensed Consolidated Balance Sheet included an accrual of $0.3 million related to operating lease commitments under the provisions of the restructuring plan we initiated in 2005.

The following table displays the activity related to all restructuring plans described above (in thousands):

	Balance at January 1, 2011	Charged to expense during three months ended April 2, 2011	Paid or settled	Adjustments to reserve	Balance at April 2, 2011
2011 restructuring plan:					
Severance and related costs	$ —	$ 2,494	$ (74)	$ —	$ 2,420
Other	—	157	(74)	—	83
Total 2011 restructuring plan	—	2,651	(148)	—	2,503
Pre-2011 restructuring plans:					
Severance and related costs	175	—	—	(175)	—
Lease loss reserve and other	1,027	6	(134)	(647)	252
Total restructuring plans	$ 1,202	$ 2,657	$ (282)	$ (822)	$ 2,755

Total Restructuring charges included in our Condensed Consolidated Statements of Operations was as follows (in thousands):

	Three Months Ended	
	April 2, 2011	April 3, 2010
Severance and related costs	$ 2,319	$ 67
Lease loss reserve and other	(484)	15
Total Restructuring charges	$ 1,835	$ 82

We cannot be certain as to the actual amount of any remaining restructuring charges, changes in original estimates or the timing of their recognition for financial reporting purposes.

Note 9 - Stock-Based Compensation:

Total stock-based compensation expense included in the Condensed Consolidated Statements of Operations was as follows (in thousands):

	Three Months Ended	
	April 2, 2011	April 3, 2010
Line item:		
Cost of products sold	$ 58	$ 75
Research and development	600	449
Selling, general and administrative	634	671
Restructuring charges	52	—
	$ 1,344	$ 1,195

Note 10 - Legal Matters:

On June 11, 2007, a patent infringement lawsuit was filed by Lizy K. John (“John”) against Lattice Semiconductor Corporation in the U.S. District Court for the Eastern District of Texas, Marshall Division. John seeks an injunction, unspecified damages, and attorneys' fees and expenses. The Company filed a request for re-examination of the patent by the United States Patent and Trademark Office (“PTO”), which was granted by the PTO, and the re-examination is in progress. The litigation has been stayed pending the results of the re-examination. At this stage of the proceedings, we do not have an estimate of the likelihood or the amount of any potential exposure to us.

On April 30, 2010, Stragent, LLC (“Stragent”), a non-practicing entity, and its alleged assignee Seesaw Foundation (“Seesaw”), filed a patent infringement lawsuit against the Company and Freescale Semiconductor, Inc. in the U.S. District Court for the Eastern District of Texas, Tyler Division, seeking unspecified damages. On April 29, 2011, the Company and Stragent entered into an agreement resolving the litigation.

On July 20, 2010, Intellitech Corporation (“Intellitech”) filed a patent infringement lawsuit against the Company, Altera Corporation and Xilinx, Inc. in the U.S. District Court for the District of Delaware, seeking unspecified damages. At this stage of the proceedings, we do not have an estimate of the likelihood or the amount of any potential exposure to us.

On December 8, 2010, Intellectual Ventures I LLC and Intellectual Ventures II LLC (“Intellectual Ventures”) filed a patent infringement lawsuit against the Company, Altera Corporation and Microsemi Corporation in the U.S. District Court for the District of Delaware, seeking unspecified damages. At this stage of the proceedings, we do not have an estimate of the likelihood or the amount of any potential exposure to us.

We are also exposed to certain other asserted and unasserted potential claims. There can be no assurance that, with respect to potential claims made against us, we could resolve such claims under terms and conditions that would not have a material adverse effect on our business, our liquidity or our financial results.

Note 11 - Segment and Geographic Information:

We operate in one industry segment comprising the design, development, manufacture and marketing of high performance programmable logic devices. Our revenue by major geographic area based on ship-to location was as follows (dollars in thousands):

	Three Months Ended			
	April 2, 2011		April 3, 2010	
United States:	$ 13,685	17%	$ 9,022	13%
Export revenue:				
Asia Pacific (primarily China and Taiwan)	43,652	53	38,093	54
Europe	17,581	21	12,482	18
Japan	6,437	8	9,043	13
Other Americas	1,260	1	1,792	2
Total export revenue	68,930	83	61,410	87
Total revenue	$ 82,615	100%	$ 70,432	100%

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Lattice Semiconductor Corporation (“Lattice” or the “Company”) designs, develops and markets high performance programmable logic products and related software. Programmable logic products are widely used semiconductor components that can be configured by the end customer as specific logic circuits, and enable the end customer to shorten design cycle times and reduce development costs. Within the programmable logic market there are two groups of products - programmable logic devices (“PLD”) and field programmable gate arrays (“FPGA”) - each representing a distinct silicon architectural approach. Products based on the two alternative programmable logic architectures are generally optimal for different types of logic functions, although many logic functions can be implemented using either architecture. We believe that a substantial portion of programmable logic customers utilize both PLD and FPGA architectures. Our end customers are primarily original equipment manufacturers in the wired and wireless communications, computing, industrial, consumer, automotive, medical and military end markets.

Critical Accounting Policies and Estimates

Critical accounting policies are those that are both most important to the portrayal of a company's financial condition and results and require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management believes that there have been no significant changes during the three months ended April 2, 2011 to the items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended January 1, 2011.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and classification of assets, such as marketable securities, accounts receivable, inventory, auction rate securities, deferred income taxes and liabilities, accrued liabilities (including restructuring charges and accrual for bonus arrangements), income taxes, deferred income and allowances on sales to certain sell-through distributors, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the fiscal periods presented. Actual results could differ from those estimates.

New Accounting Pronouncements

There were no new accounting pronouncements during the three months ended April 2, 2011 that are expected to have a material impact on the Company's Condensed Consolidated Financial Statements.

Results of Operations

Revenue

Key elements of our Condensed Consolidated Statements of Operations (dollars in thousands) were as follows:

	Three Months Ended			
	April 2, 2011		April 3, 2010	
Revenue	$ 82,615	100.0%	$ 70,432	100.0%
Gross margin	49,609	60.0	41,168	58.5
Research and development	20,140	24.4	14,682	20.9
Selling, general and administrative	17,170	20.8	15,418	21.9
Restructuring charges	1,835	2.2	82	0.1
Income from operations	$ 10,464	12.7%	$ 10,986	15.6%

Revenue for the three months ended April 2, 2011 increased to $82.6 million, compared to $70.4 million for the three months ended April 3, 2010. Revenue growth was strong primarily in the Industrial and other, and secondarily in the Consumer, end markets. We expect future near-term revenue for the Communications end market to grow faster than other end markets.

Revenue by Product Line

FPGA and PLD revenue increased in the first quarter of fiscal 2011 when compared to the first quarter of fiscal 2010. There was a 38% increase in FPGA units sold in the first quarter of fiscal 2011 when compared to the first quarter of fiscal 2010, driven primarily by an increase in demand for our New products across all end markets. PLD revenue also increased across all product classifications (except for two of our mainstream product families) in the first quarter of fiscal 2011 when compared to the first quarter of fiscal 2010, due primarily to an increase in units sold.

The composition of our revenue by product line for the first quarter of fiscal 2011 and 2010 was as follows (dollars in thousands):

	Three Months Ended			
	April 2, 2011		April 3, 2010	
FPGA	$ 31,179	38%	$ 23,371	33%
PLD	51,436	62	47,061	67
Total revenue	$ 82,615	100%	$ 70,432	100%

Revenue by End Market

Revenue from the Industrial and other end market and the Consumer end market increased 67% and 28%, respectively, when the quarter ended April 2, 2011 is compared to the quarter ended April 3, 2010. By contrast, revenue in the Communications end market was about flat over this same quarterly comparison and accounted for approximately 44% and 52% of our total revenue for the quarter ended April 2, 2011 and April 3, 2010, respectively. This is primarily due to strength in the wireless segment of the Communications end market. We expect that a significant portion of our revenue will continue to be dependent on the health of the Communications end market.

The composition of our revenue by end market for the first quarter of fiscal 2011 and 2010 was as follows (dollars in thousands):

	Three Months Ended			
	April 2, 2011		April 3, 2010	
Communications	$ 36,331	44%	$ 36,404	52%
Industrial and other	25,778	31	15,427	22
Computing	10,611	13	10,859	15
Consumer	9,895	12	7,742	11
Total revenue	$ 82,615	100%	$ 70,432	100%

Revenue by Product Classification

Revenue for New products increased 31% for the first quarter of fiscal 2011, compared to the first quarter of fiscal 2010. New product revenue increased primarily due to an increase in unit sales and an increase in average selling price. Revenue for Mainstream products increased 7% for the first quarter of fiscal 2011 compared to the first quarter and of fiscal 2010. Mainstream product revenue increased due to an increase in average selling price partially offset by a decrease in unit sales. The increase in average selling price for New and Mainstream products resulted from changes in product mix and end customer mix. Mature product revenue increased 10% for the first quarter of fiscal 2011, compared to the first quarter of fiscal 2010. Mature product revenue increased primarily due to an increase in units sold partially offset by a decrease in average selling price.

The composition of our revenue by product classification for the first quarter of fiscal 2011 and 2010 was as follows (dollars in thousands):

	Three Months Ended			
	April 2, 2011		April 3, 2010	
New *	$ 36,739	44%	$ 28,006	40%
Mainstream *	26,304	32	24,658	35
Mature *	19,572	24	17,768	25
Total revenue	$ 82,615	100%	$ 70,432	100%

* Product Classifications:

New:	LatticeECP3, LatticeXP2, LatticeECP2/M, MachXO, Power Manager II, ispClockA/D/S, ispMACH 4000ZE
Mainstream:	ispXPLD, ispGDX2, ispMACH 4000/Z, ispXPGA, LatticeSC, LatticeECP, LatticeXP, ispClock, Power Manager I, Software and IP
Mature:	FPSC, ORCA 2, ORCA 3, ORCA 4, ispPAC, ispLSI 8000V, ispMACH 5000B, ispMACH 2LV, ispMACH 5LV, ispLSI 2000V, ispLSI 5000V, ispMACH 5000VG, all 5-volt CPLDs, GDX/V, ispMACH 4/LV, all SPLDs

* Product categories are modified as appropriate relative to our portfolio of products and the generation within each major product family. New products consist of our latest generation of products, while Mainstream and Mature are older or based on unique late stage customer-based production needs. Generally, product categories are adjusted every two to three years, at which time prior periods are reclassified to conform to the new categorization. No adjustments were made in the first quarter of fiscal 2011.

Revenue by Geography

Domestic revenue increased to 17% of total revenue for the first quarter of fiscal 2011 from 13% when compared to the first quarter of fiscal 2010. Export revenue as a percentage of total revenue was 83% for the first quarter of fiscal 2011, compared to 87% for the first quarter fiscal 2010. Export revenue as a percentage of overall revenue decreased primarily due to lower revenue reported in the Japan market across all product families. We believe the export market to the Asia Pacific region will remain the primary source of our revenue due to more favorable business conditions and a continuing trend towards outsourcing of manufacturing by North American and European customers to the Asia Pacific region.

The composition of our revenue by geography, based on ship-to location, is as follows (dollars in thousands):

	Three Months Ended			
	April 2, 2011		April 3, 2010	
United States:	$ 13,685	17%	$ 9,022	13%
Export revenue:				
Asia Pacific (primarily China and Taiwan)	43,652	53	38,093	54
Europe	17,581	21	12,482	18
Japan	6,437	8	9,043	13
Other Americas	1,260	1	1,792	2
Total export revenue	68,930	83	61,410	87
Total revenue	$ 82,615	100%	$ 70,432	100%

Gross Margin and Operating Expenses

Our gross margin percentage was 60.0% in the first quarter of fiscal 2011, compared to 58.5% in the first quarter of fiscal 2010. The increase in gross margin percentage during 2011 compared to 2010 was primarily attributed to higher production volume during the first three months of fiscal 2011 when compared to fixed overhead costs charged to Cost of products sold. Additionally, gross margin increased because revenue from the Industrial and other end market, which typically has higher gross margins than revenue shipped to all other end markets, increased during the first quarter of fiscal 2011.

Research and development expense was $20.1 million in the first quarter of fiscal 2011, compared to $14.7 million in the first quarter of fiscal 2010. Research and development expenses consist primarily of personnel, masks, engineering wafers, third-party design automation software, test equipment and tooling depreciation, and qualification expenses. The increase in the first quarter of fiscal 2011 compared to the first quarter of fiscal 2010 was primarily a result of an increase in engineering mask and wafer costs and an increase in labor costs. We believe that a continued commitment to research and development is essential to maintain product leadership and provide innovative new product offerings, and therefore we expect to continue to make significant future investments in research and development. As we continue to move to more advanced process technologies such as 65nm, mask and engineering wafer costs are becoming increasingly more expensive and will therefore represent a greater proportion of total research and development expenses.

Selling, general and administrative expense was $17.2 million for the first quarter of fiscal 2011, compared to $15.4 million in the first quarter of fiscal 2010. This increase in fiscal 2011 compared to fiscal 2010 was a result of an increase in labor related costs, sales commission costs, legal costs in connection with defense of patent infringement claims and marketing related costs.

During 2011, the Company's Board of Directors adopted a restructuring plan to more efficiently implement the Company's product development strategy and to better align the Company's corporate strategy with the Company's sales resources (the “2011 restructuring plan”). In connection with the 2011 restructuring plan, the Company will reduce and refocus its headcount at certain of its research and development facilities, including Pennsylvania and Shanghai, China. The 2011 restructuring plan will be substantially implemented during 2011, with a total projected restructuring charge of approximately $3.0 million to $6.0 million through fiscal 2012, of which $2.7 million was recorded in the first quarter of fiscal 2011.

The Company also implemented restructuring plans during the fiscal years 2009 ("2009 restructuring plan") and 2005. In connection with the 2009 restructuring plan, a credit of $0.8 million was recorded in the first quarter of fiscal 2011, primarily due to a change in original estimates of lease and severance and related costs. The first quarter of fiscal 2010 includes restructuring charges of $0.1 million primarily resulting from severance costs under the 2009 restructuring plan.

Other income, net

The following table summarizes the activity in Other income, net (in thousands):

	Three Months Ended	
	April 2, 2011	April 3, 2010
Interest income	$ 299	$ 247
Gain related to sale of auction rate securities	590	30
(Loss) gain on foreign exchange transactions and other, net	(226)	25
Total	$ 663	$ 302

The increase in Other income, net in the first quarter of fiscal 2011 as compared to the first quarter of fiscal 2010 resulted from a gain from the sale of Long-term marketable securities. Interest income was flat in the first quarter of fiscal 2011 compared to the first quarter of fiscal 2010 as a result of lower interest rates offset by higher invested balances.

Provision for income taxes

We are paying foreign income taxes, which are reflected in the Provision for income taxes in the Condensed Consolidated Statements of Operations and are primarily related to the cost of operating an offshore research and development subsidiary and sales subsidiaries. We are not currently paying federal income taxes and do not expect to pay such taxes until the benefits of our tax net operating loss carryforwards are fully utilized. We expect to pay a nominal amount of state income tax. We accrue interest and penalties related to uncertain tax positions in the Provision for income taxes.

Liquidity and Capital Resources

Financial Condition Sources and Uses of Cash (in thousands):

	Three Months Ended	
	April 2, 2011	April 3, 2010
Net cash provided by operating activities	$ 1,022	$ 20,894
Net cash provided by (used in) investing activities	9,861	(20,810)
Net cash used in financing activities	(2,817)	(33)
Net increase in cash and cash equivalents	$ 8,066	$ 51

Operating Activities

Net cash provided by operating activities was $1.0 million in the first three months of fiscal 2011, compared to $20.9 million in the first three months of fiscal 2010, as a result of the decrease in Current portion of foundry advances of $6.2 million in first quarter of fiscal 2010 and no such decrease in 2011. In addition, Deferred income and allowances on sales to sell-through distributors increased by $6.6 million in the first quarter of fiscal 2010 with no material change in the first fiscal quarter of 2011. Finally, net cash was provided by an increase in Accounts payable and accrued expenses and Accrued payroll obligations in the first quarter of fiscal 2010 of $6.9 million, whereas net cash was used in Accounts payable and accrued expenses and Accrued payroll obligations in the first quarter of fiscal 2011 of $4.6 million.

Investing Activities

Net cash provided by (used in) investing activities increased by $30.7 million in the first three months of fiscal 2011, compared to the first three months of fiscal 2010 as sales of Short-term marketable securities and Long-term marketable securities exceeded purchases of Short-term marketable securities in the first quarter of fiscal 2011, compared to the first quarter of fiscal 2010. The sale of Long-term marketable securities consisted of student loan auction rate securities with a par value of $3.3 million and fair value of $2.8 million for a gain of $0.6 million in the first quarter of fiscal 2011. Also, Capital expenditures increased from $2.0 million in the first quarter of fiscal 2010, to $4.1 million in first quarter of fiscal 2011.

Financing Activities

Net cash used in financing activities increased by $2.8 million for the first three months of fiscal 2011 compared to the first three months of fiscal 2010 due to the purchase of Treasury stock in the amount of $4.3 million in the first quarter of fiscal 2011 while no such purchases took place in the first quarter of fiscal 2010. This was partially offset by an increase in Net proceeds from issuance of common stock from less than $0.1 million in the first quarter of fiscal 2010, to $1.7 million in the first quarter of fiscal 2011.

Liquidity

As of April 2, 2011, our principal source of liquidity was $235.7 million of Cash and cash equivalents and Short-term marketable securities, which were approximately $2.5 million less than the balance of $238.2 million at January 1, 2011. Working capital increased to $281.7 million at April 2, 2011 from $271.0 million at January 1, 2011.

We believe that our existing liquid resources and cash expected to be generated from future operations will be adequate to meet our operating, capital requirements and obligations for at least the next twelve months.

At April 2, 2011 and January 1, 2011, the Company held auction rate securities with a par value of $8.3 million and $11.6 million, respectively. On March 29, 2011, the Company sold student loan auction rate securities, with a par value of $3.3 million and fair value of $2.8 million for $3.3 million, reported a gain of $0.6 million and relieved $0.1 million of previously unrecognized gain in Accumulated other comprehensive income. The Company intends to sell its auction rate securities as markets for these securities resume or reasonable offers become available. At April 2, 2011, due to continued multiple failed auctions and a determination of illiquidity, the fair value of auction rate securities held by the Company and classified as Long-term marketable securities was $7.4 million. These auction rate securities are exposed to risks associated with student loan asset-backed notes. Such loans are insured by the federal government or guaranteed by the Federal Family Educational Loan Program. If we were to liquidate our position in these securities, the amount realized could be materially different than the estimated fair value amounts at which we are carrying these securities and there could be a materially detrimental effect on our financial results.

In accordance with ASC 320, “Investments-Debt and Equity Securities,” the Company recorded an unrealized gain of less than $0.1 million during the three months ended April 2, 2011 on certain Short-term marketable securities (Level 1 instruments), which has been recorded in Accumulated other comprehensive income. Future fluctuations in fair value related to these instruments that the Company deems to be temporary, including any recoveries of previous write-downs, would be recorded to Accumulated other comprehensive income. In addition, during the three months ended April 2, 2011, the Company realized a gain of $0.6 million related to the sale of a portion of its Long-term marketable securities portfolio.

If the Company were to determine in the future that any further decline in fair value is other-than-temporary, we would record an impairment charge, which could have a materially detrimental impact on our operating results. If we were to liquidate our position in these securities, it is likely that the amount of any future realized gain or loss would be different from the unrealized gain or loss reported in Accumulated other comprehensive income.

On October 21, 2010, the Company's Board of Directors approved a stock repurchase program pursuant to which up to $20.0 million of outstanding common stock may be repurchased from time to time. The duration of the repurchase program is twelve months. In connection with this stock repurchase program, the Company entered into a 10b5-1 plan. During the first quarter of fiscal 2011, approximately 700,000 shares were repurchased for $4.3 million. During fiscal 2010, approximately 371,000 shares were repurchased for $2.0 million. All shares repurchased under this program were retired by April 2011. All repurchases have and will be open market transactions and funded from available working capital. The number of shares that will be repurchased in the future will depend on market conditions, including the price of the common stock.

We may in the future seek new or additional sources of funding. In addition, in order to secure additional wafer supply, we may from time to time consider various financial arrangements including equity investments, advance purchase payments, loans, or similar arrangements with independent wafer manufacturers in exchange for committed wafer capacity. To the extent that we pursue any such additional financing arrangements, additional debt or equity financing may be required. There can be no assurance that such additional financing will be available when needed or, if available, will be on favorable terms. Any future equity financing will decrease existing stockholders’ equity percentage ownership and may, depending on the price at which the equity is sold, result in dilution.

Contractual Obligations

There have been no significant changes to the Company's contractual obligations outside of the ordinary course of business in the first three months of fiscal 2011 as summarized in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended January 1, 2011.

Off-Balance Sheet Arrangements

As of April 2, 2011, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Credit Market Risks

At April 2, 2011 and January 1, 2011, we held auction rate securities with a par value of $8.3 million and $11.6 million, respectively. At April 2, 2011, the auction rate securities held by us had an estimated fair value of $7.4 million. At January 1, 2011, the auction rate securities had an estimated fair value of $10.2 million. Our investments in auction rate securities are subject to interest rate and market risk.

Foreign Currency Exchange Rate Risk

We have international subsidiary and branch operations. In addition, a portion of our silicon wafer and other purchases are denominated in Japanese yen and we bill our Japanese customers in yen. We are, therefore, subject to foreign currency exchange rate exposure. These exposures are actively monitored by management, which may employ various strategies, including derivative financial instruments, to mitigate the impact on the Company. We do not hold or issue derivative financial instruments for trading or speculative purposes.

Except for the above, there have been no material changes to the quantitative and qualitative disclosures about market risk reported in our Annual Report on Form 10-K for the year ended January 1, 2011.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

We are in the process of implementing a new ERP system. The first phase of the implementation was completed during the fourth quarter of 2010 and included implementing new modules related to our general ledger, accounts payable and elements of our cost accounting systems. During the period, legacy operating and financial information was migrated to the new ERP system, which resulted in the modification of certain controls, procedures and processes. We follow a system implementation life cycle process that requires significant pre-implementation planning, design and testing. We plan to continue to replace our legacy systems with the new ERP system functionality over the next several years.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth above under Note 10 contained in the “Notes to Condensed Consolidated Financial Statements” is incorporated herein by reference.

ITEM 1A. RISK FACTORS

The risk factors included herein include any material changes to and supersede the description of the risk factors associated with our business previously disclosed in Item 1A of our Annual Report on Form 10-K for the year ended January 1, 2011. The following risk factors and other information included in this Quarterly Report should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks occur, our business, financial condition, operating results and cash flows could be materially adversely affected.

Global economic conditions and uncertainty, as well as the highly cyclical nature of the semiconductor industry, could adversely affect our revenue, gross margin and expenses, collectability of accounts receivable and supplier relationships, and ability to access capital markets.

Our revenue and gross margin can fluctuate significantly due to downturns in the general economy or the semiconductor industry. These downturns are often severe and prolonged and can result in significant reductions in the demand for PLD and FPGA products in markets in which we compete. Global economic weakness or cyclical downturns have previously resulted from periods of economic recession, reduced access to credit markets, weakening or strengthening of the U.S. dollar relative to other currencies, weak end-user demand, excess industry capacity, political instability, terrorist activity, military actions, or general reductions in inventory levels by customers, and may cause a decrease in revenue, gross margin, earnings or growth rates and problems with our ability to manage inventory levels and collect customer receivables. Such economic conditions had a negative impact on our results of operations during much of 2009. Although business conditions improved in 2010, that trend may not continue. In addition, our relationships with our employees and suppliers and ability to access capital markets could be adversely affected. In addition, customer financial difficulties have previously resulted, and could result in the future, in increases in bad debt write-offs and additions to reserves in our accounts receivable. Global economic and cyclical downturns also may lead to restructuring actions and associated expenses. Uncertainty about future economic conditions makes it difficult for us to forecast operating results and to make decisions about future investments. Any or all of these factors could adversely affect our financial condition and results of operations in the future.

A downturn in the communications equipment end market could cause a reduction in demand for our products and limit our ability to maintain revenue levels and operating results.

Historically the majority of our revenue (approximately 44% of the first quarter of fiscal 2011 revenue) is derived from customers participating in the communications equipment end market. In addition, during fiscal year 2009, the Company participated in the China 3G telecommunications network build-out by selling products used by two large telecommunication equipment providers (one of which was supported through distribution), which accounted for a combined 19% of our aggregate revenue. This is primarily due to strength in the wireless segment of the communications end market. For the 2010 fiscal year, the same two large telecommunication equipment providers accounted for a combined 12% of revenue. In the past, a general weakening in demand for programmable logic products from customers in the communications end market has adversely affected our revenue. In addition, telecommunication equipment providers are building networks for 4G networks in which we compete. Any deterioration in the communication end market, our ability to compete for new solutions in future telecommunications solutions (e.g. 4G networks) or reduction in capital spending to support this end market could lead to a reduction in demand for our products which could adversely affect our revenue and results of operations.

Our customer design-in activity, and thus, future revenue growth is dependent on market acceptance of our new silicon and software design tool products and the continued market acceptance of our current products. Future revenue is inherently uncertain and could impact our ability to manage production or our ability to forecast sales.

We face uncertainties relating to the potential impact of customer design-in activity because it is unknown whether any particular customer design-in will ultimately result in sales of significant volume. After a specific customer design-in is obtained, many factors can impact the timing and amount of sales that are ultimately realized. Changes in the competitive position of our technology, the customer's product competitiveness or product strategy, the financial position of the customer, and other factors can impact the timing and amount of sales ultimately realized from any specific customer design-in.

We are presently shipping our latest generation FPGA, PLD and Programmable Mixed Signal product families that are critical to our ability to grow our overall revenue. We also plan to continue upgrading our customer design tool products and increase our offerings of intellectual property cores. Our future revenue growth is dependent on customer design-in activity, market acceptance of our new silicon and software design tool products and the continued market acceptance of our current products. The success of these products is dependent on a variety of specific technical factors including:

- successful product definition;
- timely and efficient completion of product design;
- timely and efficient implementation of wafer manufacturing and assembly processes;
- product performance;
- product cost;
- the quality and reliability of the product; and
- ease of use.

If, due to these or other factors, our new silicon and software products do not achieve market acceptance, or our current products do not maintain market acceptance, our ability to manage production levels or accurately forecast the future revenue, our operating results may be adversely affected.

We may not be able to successfully compete in the highly competitive semiconductor industry.

The semiconductor industry is intensely competitive and many of our direct and indirect competitors have substantially greater financial, technological, manufacturing, marketing and sales resources. The current level of competition in the programmable logic market is high and may increase in the future. We currently compete directly with companies that have licensed our technology or have developed similar products, including Actel Corporation (acquired by Microsemi Corporation in November 2010), Altera Corporation, and Xilinx, Inc. We also compete indirectly with numerous semiconductor companies that offer products based on alternative solutions such as ASIC, ASSP, microcontroller, analog, and digital signal processing (DSP) technologies. These direct and indirect competitors are established, multinational semiconductor companies as well as emerging companies. If we are unable to compete successfully in this environment, our future results will be adversely affected.

Our revenue and gross margin, including quarter over quarter, are subject to fluctuations due to many factors which makes our future financial results less predictable.

Our operating results, including quarter over quarter, have fluctuated in the past and may continue to fluctuate. Consequently, our operating results may fail to meet the expectations of analysts and investors. Our revenue and gross margin may fluctuate due to product mix, inventory fluctuations at our distributor end customers, market acceptance of new products, competitive pricing dynamics, geographical and market-segment pricing strategies, wafer, package and assembly prices and yields, overhead absorption, as well as provisions for warranty and excess and obsolete inventory.

We have limited ability to foresee changes or the pace of changes in sales by product classification. In the past we have also experienced periods of decline in sales of our mainstream and mature products. If, in any period, sales of our mature and mainstream products decline and sales of new products do not increase at a rate that is sufficient to counteract this decline, then our total revenue would decline. In addition, as mature products typically generate a higher gross margin than mainstream or new products, a faster than normal decline in sales of mature products could adversely impact our gross margins.

We also have experienced, and may experience in the future, gross margin declines in certain products or end-markets, reflecting the effect of competitive pricing pressures, inventory write-downs, charges associated with the cancellation of planned production lines, costs associated with our customers unplanned demand to build inventory, and increases in component and manufacturing costs resulting from higher labor and material costs borne by our manufacturers and suppliers that, as a result of competitive pricing pressures or other factors, we are unable to pass on to our customers.

Further, our ability to predict end customer demand, our customers' end customer demand, and resale of our products by our sell-through distributors is limited. Typically, a significant amount of our revenue comes from “turns orders,” which are orders placed and filled within the same period. By definition, turns orders are not captured in a backlog measurement at the beginning of a quarter. Accordingly, we cannot use backlog as a reliable measure of predicting revenue.

Currently Fujitsu Semiconductor Limited ("Fujitsu") is our sole source supplier of wafers for our newest FPGA and PLD products. We may be unsuccessful in defining, developing and identifying manufacturing processes for the new programmable logic products required to maintain or expand our business.

As a semiconductor company, we operate in a dynamic environment marked by rapid product obsolescence. The programmable logic market is characterized by rapid technology and product evolution. Consequently, our future success depends on our ability to introduce new FPGA, PLD and associated software design tool products that meet evolving customer needs while achieving acceptable margins. We are presently shipping our latest generation product families that are critical to our ability to grow our overall revenue. We also plan to continue upgrading our customer design tool products and increase our offerings of intellectual property cores. If we fail to introduce new products in a timely manner, or if these products or future new products fail to achieve market acceptance, our operating results could be adversely affected.

The Company and Fujitsu have entered into agreements pursuant to which Fujitsu manufactures most of our new products on its 130 nanometer, 90 nanometer and 65 nanometer CMOS process technologies, as well as on 130, 90 and 65 nanometer technologies with embedded flash memory that we have jointly developed with Fujitsu. Fujitsu is our sole source supplier of wafers for our newest FPGA and PLD products. The success of certain of our next generation products is dependent on our ability to successfully partner with Fujitsu or new foundry partners. If for any reason we are unsuccessful in establishing new foundry relationships for our next generation products, our future operating results could be adversely affected.

To develop new products and maintain the competitiveness of existing products, we need to migrate to more advanced wafer manufacturing processes that use smaller device geometries. We also may need to use additional foundry partners. Because we depend upon foundry partners to provide their facilities and support for our process technology development, we may experience delays in the availability of advanced wafer manufacturing process technologies at existing or new wafer fabrication facilities. As a result, volume production of our advanced process technologies at fabrication facilities may not be achieved. This could adversely affect our operating results.

The introduction of new silicon and software design tool products in a dynamic market environment presents significant business challenges. Product development commitments and expenditures must be made well in advance of product sales. The market acceptance of new products depends on accurate projections of long-term customer demand, which by their nature are uncertain. In order to secure new or additional wafer supply, we may from time to time consider various financial arrangements including equity investments, advance purchase payments, loans, or similar arrangements with independent wafer manufacturers in exchange for committed wafer capacity. To the extent that we pursue any such additional financing arrangements, additional debt or equity financing may be required. There can be no assurance that such additional financing will be available when needed or, if available, will be on favorable terms. Any future equity financing will decrease existing stockholders’ equity percentage ownership and may, depending on the price at which the equity is sold, result in dilution.

Export sales, primarily to the Asia Pacific region, account for the majority of our revenue and may decline in the future due to economic and governmental uncertainties.

We derive the majority of our revenue from export sales. Accordingly, if we experience a decline in export sales, our operating results could be adversely affected. Our export sales are subject to numerous risks, including:

- changes in local economic conditions;
- exchange rate volatility;
- governmental stimulus packages, controls and trade restrictions;
- export license requirements and restrictions on the export of technology;
- political instability, war, terrorism or pandemic disease;
- changes in tax rates, tariffs or freight rates;
- reduced protection for intellectual property rights in some countries;
- longer receivable collection periods;
- natural or man-made disasters in the countries where we sell our products;
- interruptions in transportation;
- different labor regulations; and
- difficulties in staffing and managing foreign sales offices.

We depend on distributors, primarily those that use the sell-through distribution model, to generate a majority of our sales and complete order fulfillment. The failure of our distributors to sell our products and otherwise perform as expected could materially reduce our future sales.

We rely heavily on our distribution partners to sell our products to end customers, generate a majority of our sales, complete order fulfillment and stock our products. Our distributors also help us to provide technical support and other value-added services to end customers.

We expect that the majority of our revenue in fiscal 2011 will be reported resale by our sell-through distributors. We depend on the timeliness and accuracy of these resale reports from our distributors; late or inaccurate resale reports could have a detrimental effect on our ability to recognize revenue and our ability to predict future sales. In addition, our distribution channels recently have experienced consolidation due to merger and acquisition activity in that business sector. Consolidation may result in our distributors allocating fewer resources to the distribution and sale of our products, which could adversely affect our financial results.

Our primary sell-through distributors, Arrow Electronics, Inc., including Nu Horizons Electronics Corp., (a wholly owned subsidiary of Arrow Electronics, Inc. USA), Avnet, Inc., and Weikeng (International and Industrial) Co. LTD made up 49%, 34% and 28% of total revenue for fiscal years 2010, 2009 and 2008, respectively. At times, our sales are concentrated in a small number of distributors, which are in various international locations and of various financial strength. Financial difficulties, inability to access capital markets, or other reasons, may affect our distributors' performance, which could materially harm our business and our operating results. Additionally, any reduction in sales efforts, failure to provide good customer service or any other failure to perform by our distributors as expected, could materially reduce our future sales and adversely affect our operating results.

Product quality problems could lead to reduced revenue, gross margins and net income.

We generally warrant our products for varying lengths of time against non-conformance to our specifications and certain other defects. Because our products, including hardware, software and intellectual property cores, are highly complex and increasingly incorporate advanced technology, our quality assurance programs may not detect all defects, whether manufacturing defects in individual products or systematic defects that could affect numerous shipments. Inability to detect a defect could result in increased engineering expenses necessary to remediate the defect and also result in increased costs due to inventory impairment charges. On occasion we have also repaired or replaced certain components or made software fixes or refunded the purchase price or license fee paid by our customers due to product or software defects. If there are material increases in product defects, the costs to remediate such defects, net of reimbursed amounts from our vendors, if any, or to resolve warranty claims compared with our historical experience, may adversely affect our revenue, gross margins and net income.

If our foundry partners experience quality or yield problems, we may face a shortage of products available for sale and our revenue or gross margin could be adversely affected.

We depend on our foundry partners to deliver high quality silicon wafers with acceptable yields in a timely manner consistent with our safety stock inventory level and production plan. As is common in our industry, we have experienced wafer yield problems and delivery delays. The reliable manufacture of high performance programmable logic devices is a complicated and technically demanding process requiring:

- a high degree of technical skill;
- state-of-the-art equipment;
- the availability of certain basic materials and supplies, such as chemicals, gases, polysilicon, silicon wafers and ultra-pure metals;
- the absence of defects in production wafers;
- the elimination of minute impurities and errors in each step of the fabrication process; and
- effective cooperation between the wafer supplier and us.

As a result, our foundry partners may periodically experience difficulties in achieving acceptable quality and yield levels when manufacturing our silicon wafers. If our foundry partners are unable for a prolonged period to produce silicon wafers that meet our specifications with acceptable yields, or we do not have adequate safety stock in times of delivery delays, our operating results could be adversely affected.

If our assembly and test supply contractors experience quality or yield problems, we may face a shortage of products available for sale.

We rely on contractors to assemble and test our devices with acceptable quality and yield levels. As is common in our industry, we have experienced quality and yield problems in the past. The majority of our revenue is derived from semiconductor devices assembled in advanced packages. The assembly of advanced packages is a complex process requiring:

- a high degree of technical skill;
- state-of-the-art equipment;
- the absence of defects in assembly and packaging manufacturing;
- the elimination of raw material impurities and errors in each step of the process; and
- effective cooperation between the assembly contractor and us.

As a result, our contractors may experience difficulties in achieving acceptable quality and yield levels when assembling and testing our semiconductor devices. If we experience prolonged quality or yield problems in the future and we do not have adequate levels of safety stock inventory on-hand, our operating results could be adversely affected.

If we are unable to adequately protect our intellectual property rights, our financial results and competitive position may suffer.

Our success depends in part on our proprietary technology. We intend to continue to protect our proprietary technology through patents, copyrights and trade secrets. Despite this intention, we may not be successful in achieving adequate protection. Claims allowed on any of our patents may not be sufficiently broad to protect our technology. Patents issued to us also may be challenged, invalidated or circumvented. Finally, our competitors may develop competing technologies. If any of these events occur, our competitive position could be adversely affected.

Companies in the semiconductor industry vigorously pursue and defend their intellectual property rights. We may be forced to pursue legal action to protect or enforce our intellectual property rights. If we become involved in protracted intellectual property disputes or litigation, we may be forced to use substantial financial and management resources, which could have an adverse affect on our operating results.

We face a number of patent infringement claims and may be subject to other intellectual property disputes, which could require us to spend a significant sum to defend and could cause losses.

Our industry is characterized by frequent claims regarding patents and other intellectual property rights of others. We have been, and from time to time expect to be, notified of claims that we are infringing upon the intellectual property rights of others. For instance, we are exposed to certain asserted and unasserted potential claims, including the pending patent litigation brought against us by Lizy K. John, SeeSaw, Intellitech and Intellectual Ventures I LLC and Intellectual Ventures II LLC, as described in Item 1. Legal Proceedings, above. If any third party makes a valid claim against us, we could face significant liability and could be required to make material changes to our products and processes. In response to any claims of infringement, there can be no assurance that we would be able to successfully defend against the claims. Any such litigation could result in a substantial diversion of our efforts and the use of substantial management and financial resources, which by itself could have a material adverse effect on our financial condition and operating results. We may seek licenses under patents that we are alleged to be infringing; however, we may not be able to obtain a license on favorable terms, or at all, which could have an adverse effect on our operating results.

Our wafer supply, which is sourced entirely from the Asia Pacific region, could be interrupted, could experience increased costs or could be reduced, which may result in a shortage of products available for sale or increased costs.

We do not manufacture finished silicon wafers and most of our products, including all of our newest products, are manufactured by a sole source. Currently, our silicon wafers are manufactured by Fujitsu in Japan, Seiko Epson Corporation in Japan, United Microelectronics Corporation in Taiwan and GLOBALFOUNDRIES in Singapore. If any of our current or future foundry partners significantly interrupts or reduces our wafer supply, increases wafer costs, or if any of our relationships with our partner suppliers are terminated, our operating results could be adversely affected.

In the past, we have experienced delays in obtaining wafers and in securing supply commitments from our foundry partners. At present, we anticipate that our supply commitments are adequate. However, these existing supply commitments may not be sufficient for us to satisfy customer demand in future periods. Additionally, notwithstanding our supply commitments, we may still have difficulty in obtaining wafer deliveries consistent with the supply commitments. We negotiate wafer prices and supply commitments from our suppliers on at least an annual basis. If any of our foundry partners were to reduce its supply commitment or increase its wafer prices, and we cannot find alternative sources of wafer supply, our operating results could be adversely affected.

Many other factors that could disrupt our wafer supply are beyond our control. Since worldwide manufacturing capacity (and that of Fujitsu) for silicon wafers is limited and inelastic, we could be harmed by significant industry-wide (or our own) increases in overall wafer demand or interruptions in wafer supply, or periods of increased wafer prices. During periods of economic uncertainty, our foundry partners may reduce or restructure their operations which may also affect the availability and price of wafers, and adversely affect our operating results. Additionally, a future disruption of any of our foundry partners' foundry operations as a result of a fire, earthquake, act of terrorism, political unrest, governmental uncertainty, war, disease or other natural disaster or catastrophic event could disrupt our wafer supply and could adversely affect our operating results.

Our supply of assembled and tested products, all from the Asia Pacific region, could be interrupted or reduced, which may result in a shortage of products available for sale.

We do not assemble our finished products or perform all testing of our products. Our finished silicon wafers are assembled and tested by independent contractors located in Indonesia, Japan, Malaysia, the Philippines, Singapore and South Korea. Economic, financial, social and political conditions in Asia have historically been volatile. Financial difficulties, the effects of currency fluctuation, governmental actions or restrictions, prolonged work stoppages, political unrest, war, natural disaster, disease or any other difficulties experienced by our suppliers may disrupt our supply and could adversely affect our operating results.

In the past, we have experienced delays in obtaining assembled and tested products and in securing assembly and test capacity commitments from our suppliers. At present, we anticipate that our assembly and test capacity commitments are adequate; however, these existing commitments may not be sufficient for us to satisfy customer demand in future periods. Additionally, notwithstanding our assembly and test capacity commitments, we may still have difficulty in obtaining deliveries of finished products consistent with the capacity commitments. We negotiate assembly and test prices and capacity commitments from our contractors on a periodic basis. If any of our assembly or test contractors were to reduce its capacity commitment or increase its prices, and we cannot find alternative sources, our operating results could be adversely affected.

Many other factors that could disrupt our supply of finished products are beyond our control. Because worldwide capacity for assembly and testing of semiconductor products is limited and inelastic, we could be harmed by significant industry-wide increases in overall demand or interruptions in supply. The assembly of complex packages requires a consistent supply of a variety of raw materials such as substrates, lead frames and mold compound. The worldwide manufacturing capacity for these materials is also limited and inelastic. A significant industry-wide increase in demand, or interruptions in the supply of these materials to our assembly or test contractors, could adversely effect our operating results. Additionally, a future disruption of any of our assembly or test contractors' operations as a result of a fire, earthquake, act of terrorism, political unrest, governmental uncertainty, war, disease or other natural disaster or catastrophic event could disrupt our supply of assembled and tested devices and could adversely affect our operating results.

In addition, our quarterly revenue levels may be affected to a significant extent by our ability to match inventory and current production mix with the product mix required to fulfill orders. The large number of individual parts we sell and the large number of customers for our products, combined with limitations on our and our customers' ability to forecast orders accurately and our relatively lengthy manufacturing cycles, may make it difficult to achieve a match of inventory on hand, production units, and shippable orders sufficient to realize quarterly or annual revenue projections.

We may experience a disruption of our business activities due to the transition to a new Chief Executive Officer.

On October 12, 2010, the Company's Board of Directors announced the appointment of Darin G. Billerbeck as the Company's President and Chief Executive Officer, effective November 8, 2010. We may experience disruption in our business activities as we transition to a new chief executive officer, and our relationships with employees, customers and suppliers could be adversely affected by these disruptions. In addition, our competitors may seek to use this transition and the related potential disruptions to gain a competitive advantage over us. Our future operating results depend substantially upon the continued service of our key personnel, our ability to attract and retain qualified management personnel and the successful execution of the 2011 restructuring plan adopted to more efficiently implement the Company's product development strategy and to better align its corporate strategy with its sales resources. Our business, financial condition and results of operations could be materially adversely affected by the loss of any of our key employees, by the failure of any key employee to perform in his or her current position, or by our inability to attract and retain skilled employees.

If our independent software and hardware developers and suppliers are unable or unwilling to meet our contractual requirements, we may face a delay or shortage of the introduction of new products, or the support of existing products.

We rely on independent software and hardware developers for the design, development, supply and support of IP cores, design and development software, and certain elements of evaluation boards. As a result, failure or significant delay to complete software or hardware under contract to deliver could disrupt the release of or introduction of new products, which might be detrimental to the capability of our new products to win designs. Any of these delays or inability to complete the design or development could have an adverse effect on our business, financial condition, or operating results.

We recently implemented a new enterprise-wide financial reporting system which may cause operating or reporting disruptions.

The Company converted to a new enterprise-wide financial reporting ("ERP") system to improve processes, enhance the access and timeliness of critical business information and strengthen controls throughout the Company. We converted to this new system in October 2010. Many companies have experienced operating or reporting disruptions when converting to a new ERP system or integrating the new ERP system with legacy systems, including limitations on a company’s ability to deliver and bill for customer shipments, maintain current and complete books and records, maintain an effective internal control environment and meet external reporting deadlines. While we have not yet experienced any significant disruptions to our business, we may encounter some unexpected aspects of the conversion that cause difficulty in the new reporting system which could adversely affect the Company’s business, results of operations and cash flows.

We depend upon a third party to provide inventory management, order fulfillment, and direct sales logistics.

We rely on a third party vendor located in Singapore to provide cost-effective and efficient supply chain services. Among other activities, these outsourced services relate to direct sales logistics, including order fulfillment, inventory management and warehousing, and distribution of inventory to third party distributors. If our third party supply chain partner were to discontinue services for us or its operations are disrupted as a result of a fire, earthquake, act of terrorism, political unrest, governmental uncertainty, war, disease or other natural disaster or catastrophic event, our ability to fulfill direct sales orders and distribute inventory timely, cost effectively, or at all, would be hindered, which could adversely affect our business.

An acquisition may harm our business, financial condition or operating results.

We have made acquisitions in the past to execute on our business strategy which create uncertainty to our future operating results and cash flows. We may acquire products, technologies or businesses from third parties. An acquisition will require considerable management time, may divert time away from operations, require substantial cash resources, require us to incur or assume debt, and involve the issuance of the Company’s equity securities. The success of any acquisition requires the integration of products, technologies, personnel and administrative resources, and could result in departures of key personnel, equity dilution or acquisition of unknown liabilities. As a result, an acquisition could disrupt our operations and may have an adverse effect on our business, financial condition or operating results.

We may have failed to adequately insure against certain risks, and, as a result, our financial condition and results may be adversely affected.

We carry insurance customary for companies in our industry, including, but not limited to, liability, property and casualty, worker's compensation and business interruption insurance. We also insure our employees for basic medical expenses. In addition, we have insurance contracts that provide director and officer liability coverage for our directors and officers. Other than the specific areas mentioned above, we are self-insured with respect to most other risks and exposures, and the insurance we carry in many cases is subject to a significant policy deductible or other limitation before coverage applies. Based on management's assessment and judgment, we have determined that it is more cost effective to self-insure against certain risks than to incur the insurance premium costs. The risks and exposures for which we self-insure include, but are not limited to, natural disasters, product defects, political risk, theft, patent infringement and some employment practice matters. Should there be a catastrophic loss due to an uninsured event such as an earthquake or a loss due to adverse occurrences in any area in which we are self-insured, our financial condition or operating results could be adversely affected.

ITEM 2. ISSUER PURCHASES OF EQUITY SECURITIES
(c).

Period	**Total Number of Shares Purchased**		**Average Price paid Per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Program**		**Maximum Dollar Value of Shares That May Yet Be Purchased Under the Program**
Month #1						
January 2, 2011 through January 29, 2011	264,000	$	5.94	264,000	$	16,460,000
Month #2						
January 30, 2011 through February 26, 2011	148,247	$	6.31	148,247	$	15,525,000
Month #3						
February 27, 2011 through April 2, 2011	296,550	$	6.16	296,550	$	13,699,000
Total	708,797	$	6.11	708,797	$	13,699,000

On October 21, 2010, the Company's Board of Directors approved a stock repurchase program pursuant to which up to $20.0 million of outstanding common stock may be repurchased from time to time. The duration of the repurchase program is twelve months. In connection with this stock repurchase program, the Company entered into a 10b5-1 plan. During the first quarter of fiscal 2011, approximately 700,000 shares were repurchased for $4.3 million. All shares repurchased under this program were retired by April 2011. All repurchases have and will be open market transactions and funded from available working capital. The number of shares that will be repurchased in the future will depend on market conditions, including the price of the common stock.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	The Company's Restated Certificate of Incorporation filed February 24, 2004 (Incorporated by reference to Exhibit 3.1 filed with the Company's Annual Report on Form 10-K for the year ended January 3, 2004).
3.2	The Company's Bylaws, as amended and restated as of January 31, 2006 (Incorporated by reference to Exhibit 99.1 filed with the Company's Current Report on Form 8-K filed February 3, 2006).
4.4	Indenture, dated as of June 20, 2003, between the Company and U.S. Bank National Association (Incorporated by reference to Exhibit 4.1 filed with the Company's Registration Statement on Form S-3 on August 13, 2003).
4.5	Form of Note for the Company's Zero Coupon Convertible Subordinated Notes (Incorporated by reference to Exhibit 4.2 filed with the Company's Registration Statement on Form S-3 on August 13, 2003).
10.23	Advance Production Payment Agreement dated March 17, 1997 among Lattice Semiconductor Corporation and Seiko Epson Corporation and S MOS Systems, Inc. (Incorporated by reference to Exhibit 10.23 filed with the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2005)(1).
10.24*	Lattice Semiconductor Corporation 1996 Stock Incentive Plan, as amended, and Related Form of Option Agreement (Incorporated by reference to Exhibits (d)(1) and (d)(2) to the Company's Schedule TO filed on February 13, 2003).
10.33*	2001 Outside Directors' Stock Option Plan, as amended and restated effective May 1, 2007 (Incorporated by reference to the Appendix A filed with the Company's 2007 Definitive Proxy Statement on Schedule 14A filed on April 5, 2007).
10.34*	2001 Stock Plan, as amended, and related Form of Option Agreement (Incorporated by reference to Exhibits (d)(3) and (d)(4) to the Company's Schedule TO filed on February 13, 2003).
10.35	Intellectual Property Agreement by and between Agere Systems Inc. and Agere Systems Guardian Corporation and Lattice Semiconductor Corporation as Buyer, dated January 18, 2002 (Incorporated by reference to Exhibit 10.35 filed with the Company's Annual Report on Form 10-K for the year ended December 29, 2001).
10.37*	Lattice Semiconductor Corporation Executive Deferred Compensation Plan, as amended and restated effective as of August 11, 1997 (Incorporated by reference to Exhibit 99.3 filed with the Company's Registration Statement on Form S-3, as amended, dated October 17, 2002).
10.38*	Amendment No. 1, to the Lattice Semiconductor Corporation Executive Deferred Compensation Plan, as amended, dated November 19, 1999 (Incorporated by reference to Exhibit 99.4 filed with the Company's Registration Statement on Form S-3, as amended, dated October 17, 2002).
10.39	Registration Rights Agreement, dated as of June 20, 2003, between the Company and the initial purchaser named therein (Incorporated by reference to Exhibit 4.3 filed with the Company's Registration Statement on Form S-3 on August 13, 2003).
10.41*	Form of Indemnification Agreement executed by each director and executive officer of the Company and certain other officers and employees of the Company and its subsidiaries (Incorporated by reference to Exhibit 10.41 filed with the Company's Annual Report on Form 10-K for the year ended January 3, 2004).
10.42	Amendment dated March 25, 2004 to Advance Production Payment Agreement dated March 17, 1997, as amended, among Lattice Semiconductor Corporation and Seiko Epson Corporation and S MOS Systems, Inc. (Incorporated by reference to Exhibit 10.42 filed with the Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 2004)(1).
10.43	Advance Payment and Purchase Agreement dated September 10, 2004 between Lattice Semiconductor Corporation and Fujitsu Limited (Incorporated by reference to Exhibit 10.1 filed with the Company's Quarterly Report on Form 10-Q for the quarter ended October 2, 2004)(1).
10.44*	Employment Agreement between Lattice Semiconductor Corporation and Stephen A. Skaggs dated August 9, 2005 (Incorporated by reference to Exhibit 99.1 filed with the Company's Current Report on Form 8-K filed on August 12, 2005).
10.45*	Compensation Arrangement between Lattice Semiconductor Corporation and Patrick S. Jones, Chairman of the Board of Directors (Incorporated by reference to Exhibit 99.2 filed with the Company's Current Report on Form 8-K filed on August 12, 2005).
10.46*	Employment Agreement between Lattice Semiconductor Corporation and Jan Johannessen dated November 1, 2005 (Incorporated by reference to Exhibit 10.1 filed with the Company's Quarterly Report on Form 10-Q filed on November 4, 2005).

Exhibit Number	Description
10.47*	Employment Agreement between Lattice Semiconductor Corporation and Martin R. Baker dated November 1, 2005 (Incorporated by reference to Exhibit 10.2 filed with the Company's Quarterly Report on Form 10-Q filed on November 4, 2005).
10.48*	Employment Agreement between Lattice Semiconductor Corporation and Stephen M. Donovan dated November 1, 2005 (Incorporated by reference to Exhibit 10.3 filed with the Company's Quarterly Report on Form 10-Q filed on November 4, 2005).
10.50*	Compensation Arrangement between Lattice Semiconductor Corporation and Chairpersons for Committees of the Board of Directors (Incorporated by reference to Exhibit 99.1 filed with the Company's Current Report on Form 8-K filed on December 12, 2005).
10.51*	Form of Amendment to Stock Option Agreements for 1996 Stock Incentive Plan, as amended, and 2001 Stock Plan, as amended (Incorporated by reference to Exhibit 99.3 filed with the Company's Current Report on Form 8-K filed on December 12, 2005).
10.52*	2006 Executive Bonus Plan (Incorporated by reference to Exhibit 99.4 filed with the Company's Current Report on Form 8-K filed on December 12, 2005).
10.53	Addendum dated March 22, 2006 to the Advance Payment and Purchase Agreement dated September 10, 2004 between Lattice Semiconductor Corporation and Fujitsu Limited (Incorporated by reference to Exhibit 10.53 filed with the Company's Quarterly Report on Form 10-Q filed on November 7, 2006).
10.54	Addendum No. 2 dated effective October 1, 2006 to the Advance Payment and Purchase Agreement dated September 10, 2004 between Lattice Semiconductor Corporation and Fujitsu Limited (Incorporated by reference to Exhibit 10.54 filed with the Company's Quarterly Report on Form 10-Q filed on November 7, 2006)(1).
10.55*	2007 Executive Variable Compensation Plan, as amended (Incorporated by reference to Exhibit 99.1 filed with the Company's Current Report on Form 8-K filed on December 7, 2006, as amended as described in the Company's Current Report on Form 8-K filed on February 8, 2007).
10.56*	Form of Notice of Grant of Restricted Stock Units to Executive Officer (Incorporated by reference to Exhibit 99.1 filed with the Company's Current Report on Form 8-K filed on February 8, 2007).
10.57*	2008 Executive Variable Compensation Plan, as amended (Incorporated by reference to Exhibit 99.1 filed with the Company's Current Report on Form 8-K filed on December 7, 2007).
10.58*	Letter Agreement between Lattice Semiconductor Corporation and Stephen A. Skaggs dated January 31, 2008 (Incorporated by reference to Exhibit 10.58 filed with the Company's Annual Report on Form 10-K filed on March 13, 2008).
10.59*	Employment Agreement between Lattice Semiconductor Corporation and Bruno Guilmart dated May 14, 2008 (Incorporated by reference to Exhibit 99.1 filed with the Company's Current Report on Form 8-K filed on June 16, 2008).
10.60*	Employment Agreement between Lattice Semiconductor Corporation and Byron Milstead dated May 14, 2008 (Incorporated by reference to Exhibit 10.60 filed with the Company's Current Report on Form 10-Q filed on August 8, 2008).
10.61*	Form of Inducement Stock Option Agreement (Incorporated by reference to Exhibit 10.61 filed with the Company's Current Report on Form 10-Q filed on November 5, 2008).
10.62*	Employment Agreement between Lattice Semiconductor Corporation and Michael G. Potter dated February 4, 2009 (Incorporated by reference to Exhibit 99.2 filed with the Company's Current Report on Form 8-K filed on February 4, 2009).
10.63*	2009 Bonus Plan of Lattice Semiconductor Corporation (Incorporated by reference to Exhibit 10.63 filed with the Company's Annual Report on Form 10-K filed on March 13, 2009).
10.64	Addendum #4 dated effective December 18, 2009 to the Advanced Payment and Purchase Agreement dated September 10, 2004 between Lattice Semiconductor Corporation and Fujitsu Limited (Incorporated by reference to Exhibit 10.64 filed with the Company's Annual Report on Form 10-K filed on March 13, 2009).
10.65	Letter Agreement effective December 18, 2008 re Repayment of Advance Payment between Lattice Semiconductor Corporation and Fujitsu Microelectronics Limited and Fujitsu Microelectronics America, Inc. (Incorporated by reference to Exhibit 10.65 filed with the Company's Annual Report on Form 10-K filed on March 13, 2009).

Exhibit Number	Description
10.66*	Employment Agreement between Lattice Semiconductor Corporation and Byron Milstead effective as of December 30, 2008 (Incorporated by reference to Exhibit 10.66 filed with the Company's Annual Report on Form 10-K filed on March 13, 2009).
10.67*	Employment Agreement between Lattice Semiconductor Corporation and Sean Riley dated September 22, 2008 (Incorporated by reference to Exhibit 10.67 filed with the Company's Current Report on Form 10-Q filed on May 8, 2009).
10.68*	Employment Agreement between Lattice Semiconductor Corporation and Christopher M. Fanning amended and restated as of December 15, 2008 (Incorporated by reference to Exhibit 10.68 filed with the Company's Current Report on Form 10-Q filed on May 8, 2009).
10.69*	Lattice Semiconductor Corporation 2010 Cash Incentive Compensation Plan (Incorporated by reference to Exhibit 10.69 filed with the Company's Annual Report on Form 10-K filed on March 10, 2010.
10.70*	Employment Agreement between Lattice Semiconductor Corporation and Darin G. Billerbeck dated as of November 8, 2010.
10.71*	Employment Agreement between Lattice Semiconductor Corporation and Joe Bedewi dated as of April 11, 2011.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, confidential treatment has been granted to portions of this exhibit, which portions have been deleted and filed separately with the Securities and Exchange Commission.

* Management contract or compensatory plan or arrangement required to be filed as an Exhibit to this Annual Report on Form 10-K pursuant to Item 15(b) thereof.

SIGNATURES

Pursuant to the requirements 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.

LATTICE SEMICONDUCTOR CORPORATION
(Registrant)

/s/ JOE BEDEWI

Joe Bedewi
Corporate Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial and Accounting Officer)

Date: May 5, 2011

Employment Agreement

This Employment Agreement (the "Agreement") is entered into by and between **Joe Bedewi** (the "Executive") and **LATTICE SEMICONDUCTOR CORPORATION**, a Delaware corporation (the "Company") as of April 11, 2011 (the "Effective Date").

1. Duties and Scope of Employment.

(a) **Position**. For the term of his employment under this Agreement ("Employment"), the Executive will serve as the Corporate Vice President and Chief Financial Officer ("CFO"). The Executive shall report to the Company's Chief Executive Officer (the "CEO"). Executive will render such business and professional services in the performance of his duties, consistent with the Executive's position within the Company, as will reasonably be assigned to him by the CEO.

(b) **Obligations**. The Executive shall have such duties, authority and responsibilities that are commensurate with being an executive officer. During the term of his Employment, the Executive will devote Executive's full business efforts and time to the Company. For the duration of his Employment, Executive agrees not to actively engage in any other employment, occupation, or consulting activity for any direct or indirect remuneration without the prior approval of the Board of Directors (the "Board") (which approval will not be unreasonably withheld); provided, however, that Executive may, without the approval of the Board, serve in any capacity with any civic, educational, or charitable organization, provided such services do not interfere with Executive's obligations to the Company. Executive shall perform his duties primarily at the Company's corporate facility in Hillsboro, Oregon.

(c) **Effective Date**. The Executive shall commence full-time Employment as CFO under this Agreement on the Effective Date.

2. Cash and Incentive Compensation.

(a) **Salary**. As of the Effective Date and thereafter, the Company shall pay Executive as compensation for his services a base salary at a gross annual rate of not less than $-250,000 (such annual salary, as is then in effect, to be referred to herein as "Base Salary"). The Base Salary will be paid periodically in accordance with the Company's normal payroll practices and be subject to the usual, required withholdings, provided, however, that Executive shall receive pro-rata payments of Base Salary no less frequently than once per month. Executive's Base Salary will be subject to review by the Compensation Committee of the Board (the "Committee") not less than annually, and adjustments will be made in the discretion of the Committee.

(b) **Incentive Bonuses**. For the Company's fiscal year 2011 and beyond, Executive shall be a participant in a Cash Incentive Compensation Plan as established by the Company (the "CICP"). Under the CICP, Executive shall be eligible to be considered for an annual fiscal year incentive payment based on a percentage of Executive's Base Salary as of the beginning of such fiscal year or such higher figure that the Committee may select (such annual amount is the "Target Amount"). Executive's initial target percentage amount is 50% of the Executive's Base Salary ("Initial Target Amount"). The Target Amount shall be awarded based upon the achievement of specific milestones that will be mutually agreed upon by the Committee and Executive no later than 45 days after the start of each fiscal year (the “Target Amount Milestones”). For superior achievement of the Target Amount Milestones, Executive may earn a maximum annual fiscal year incentive bonus of up to 200% of Executive's Target Amount. Any incentive payments earned in fiscal year 2011 will be subject to proration based on Executive's employment commencement date. Cash payment for each fiscal year's variable compensation actually earned shall be made to Executive no later than 45 days after the end of the applicable fiscal year for which the annual incentive was earned; provided, however, that the Company shall have no obligation to make such payment for a fiscal year until such time as the audit of the Company's financial statements for such fiscal year has been completed and the Company has publicly reported its financial results for such fiscal year. Any incentive payments under the CICP to officers of the Company are subject to the clawback requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

(c) **Terms of Company Compensatory Equity Awards**. Executive shall be eligible for grants of options to purchase shares of the Company's common stock, restricted stock units, or other Company equity, pursuant to an applicable stockholder-approved equity compensation plan (the “Plan”), at times and in such amounts as determined by the Committee (any prior or future compensatory equity grants to Executive shall be collectively referred to herein as “Compensatory Equity”). The Company shall recommend to the Committee an initial grant of 100,000 restricted stock units representing an equivalent number of shares of the Company's common stock. This grant will be submitted to the Committee for approval at the next regularly scheduled meeting following commencement of Executive's employment. Such grant will be subject to the terms and conditions of the Plan, the applicable Compensatory Equity agreement and customary vesting requirements. Any shares obtained through the vesting of these restricted stock units will be restricted from sale by Executive for a period of two (2) years from the date of vesting. All future grants of Compensatory Equity (and the issuance of any underlying shares) to Executive shall be: (i) issued pursuant to the Plan and (ii) issued pursuant to an effective registration statement filed with the Securities and Exchange Commission under the Securities Act of 1933 as amended. Accelerated vesting of Compensatory Equity may occur: (x) pursuant to the terms of this Agreement and in addition (y) pursuant to the terms of the Plan and any applicable Compensatory Equity agreement. Executive may elect to establish a trading plan in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934 for any of his Compensatory Equity shares, provided, however, that such trading plan must comply with all of the requirements for the safe harbor under Rule 10b5-1 and must be either (i) approved by the Board (such approval not to be unreasonably withheld) or (ii) approved in accordance with any Rule 10b5-1 Trading Plan Policy the Company may subsequently implement.

(d) **Service Definition**. For purposes of this Agreement and Executive's Compensatory Equity, “Service” shall mean service by the Executive as an employee and/or consultant of the Company (or any subsidiary or parent or affiliated entity of the Company) and/or service by the Executive as a member of the Board.

3. **Vacation and Employee Benefits**. During the term of his Employment, the Executive shall be entitled to vacation in accordance with the Company's standard vacation policy. During the term of his Employment, the Executive shall be eligible to participate in any employee benefit plans or arrangements maintained by the Company on no less favorable terms than for other Company executives, subject in each case to the generally applicable terms and conditions of the plan or arrangement in question and to the determinations of any person or committee administering such plan or arrangement.

4. Business Expenses. During the term of his Employment, the Executive shall be authorized to incur necessary and reasonable travel, entertainment and other business expenses in connection with his duties hereunder. The Company shall promptly reimburse the Executive for such expenses upon presentation of appropriate supporting documentation, all in accordance with the Company's generally applicable policies. The Company shall also timely pay for all of Executive's reasonable home telecommunications phone and facsimile lines used for business purposes and reimburse Executive for his actual and reasonable mobile phone costs on a monthly basis.

5. Term of Employment.

(a) **Term of Agreement**. This Agreement will commence on the Effective Date and continue for a period of three (3) years ("Initial Term"), unless earlier terminated as provided herein. This Agreement and Executive's Employment hereunder may be extended by mutual agreement of the parties for successive terms on such terms and conditions as the parties hereto shall mutually agree unless not less than sixty (60) days prior to the expiration of the Initial Term or any successive term, either party shall have given notice to the other that it does not wish to extend this Agreement.

(b) **Basic Rule**. The Company may terminate the Executive's Employment with or without Cause, by giving the Executive 30 days advance notice in writing. The Executive may terminate his Employment by giving the Company 30 days advance notice in writing. The Executive's Employment shall terminate automatically in the event of his death.

(c) **Employment at Will**. The Executive's Employment with the Company shall be "at will," meaning that either the Executive or the Company shall be entitled to terminate the Executive's employment at any time and for any reason, with or without Cause. This Agreement shall constitute the full and complete agreement between the Executive and the Company on the "at will" nature of the Executive's Employment, which may only be changed in an express written agreement signed by the Executive and a member of the Board.

(d) **Rights Upon Termination**. Upon the termination of the Executive's Employment, the Executive shall be entitled to the compensation, benefits and reimbursements described in this Agreement for the period ending as of the effective date of the termination (the "Termination Date"). Upon termination of Executive's Employment for any reason, the Executive shall receive the following payments on the Termination Date: (i) all unpaid salary, and unpaid vacation accrued (if applicable), through the Termination Date, (ii) any unpaid, but earned and accrued incentive payments for any completed applicable determination period under the CICP (whether paid quarterly, annually or as might otherwise be established under the CICP) which has not yet been paid on the Termination Date and (iii) any unreimbursed business expenses. Executive may also be eligible for other post-Employment payments and benefits as provided in this Agreement.

6. Termination Benefits.

(a) **Severance Pay**. If there is an Involuntary Termination (as defined below) of Executive's Employment, then the Company shall pay the Executive an amount equal to 1.0 times Executive's then Base Salary, plus up to 1.0 times Executive's then Target Amount (adjusted pro rata on a monthly basis depending upon the month in which the Involuntary Termination may occur) (collectively in the aggregate, the "Cash Severance"). Such Cash Severance shall be made in a single lump sum cash payment to Executive on the effective date of the separation agreement referenced in Section 8(a). Executive shall also be entitled to receive the benefits provided in Sections 6(b) and 6(c) and, if applicable, 6(d).

(b) **Health Insurance**. If Subsection (a) above applies, and if Executive elects to continue health insurance coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”) following the termination of his Employment, then the Company shall reimburse Executive's monthly premium under COBRA until the earliest of (i) twelve months after the Termination Date or (ii) the date when Executive commences receiving substantially equivalent health insurance coverage in connection with new employment.

(c) **Equity Vesting**. If Subsection (a) above applies, then Executive will be vested only in that number of shares of Company common stock under all of Executive's outstanding Compensatory Equity as are actually vested as of the Termination Date according to the terms of such Compensatory Equity arrangements.

(d) **Effect of Change in Control**. If the Company is subject to a Change in Control (as defined below) and if there is an Involuntary Termination of Executive's Employment in connection with such Change in Control (it will automatically be deemed to be in connection with the Change in Control if there is an Involuntary Termination during the period commencing immediately prior to the Change in Control and extending through the date that is 24 months after the Change in Control): (x) Executive shall immediately vest in (and the Company's right to repurchase, if applicable, shall lapse immediately as to) all of Executive's Compensatory Equity, (y) the amount of the Cash Severance in Section 6(a) shall be increased such that while the Executive shall still receive 1.0 times Base Salary, he shall receive in addition 1.0 times Target Amount (with no pro ration), and (z) the duration of COBRA coverage in Section 6(b) shall continue to be for 12 months. The Company's obligation to continue to provide Section 6(b) benefits shall not be relieved merely because the legally required minimum period for providing COBRA continuation coverage is for a shorter period than 12 months.

(e) **Excise Tax Gross-Up**. In the event that the benefits provided for in this Agreement (i) constitute “parachute payments” within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) but for this Subsection (e), would be subject to the excise tax imposed by Section 4999 of the Code, then the Executive's benefits under this Agreement shall be payable either (1) in full, or (2) as to such lesser amount which would result in no portion of the such benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by the Executive on an after-tax basis, of the greatest amount of benefits under this Agreement, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. Unless Executive and the Company agree otherwise in writing, the determination of Executive's excise tax liability, if any, and the amount, if any, required to be paid under this Subsection (e) will be made in writing by the independent auditors who are primarily used by the Company immediately prior to the Change of Control (the “Accountants”). For purposes of making the calculations required by this Subsection (e), the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. Executive and the Company agree to furnish such information and documents as the Accountants may reasonably request in order to make a determination under this Subsection (e). The Company will bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Subsection (e).

(f) **Change in Control Definition**. For purposes of this Agreement, “Change in Control” shall mean the occurrence of any of the following events: (i) the consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization more than 50% of the voting power of the outstanding securities of each of (A) the continuing or surviving entity and (B) any direct or indirect parent corporation of such continuing or surviving entity, (ii) the sale, transfer or other disposition of all or substantially all of the Company's assets, or (iii) solely with respect to determining the treatment of Compensatory Equity under the terms of this Agreement, the terms of any applicable definition provided by the Plan and the applicable Compensatory Equity agreement. A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(g) **Cause Definition**. For purposes of this Agreement, “Cause” shall mean (i) Executive's material breach of this Agreement that is not corrected within a 30 day correction period that begins upon delivery to Executive of a written demand from the Board that describes the basis for the Board's belief that Executive has materially breached this Agreement; (ii) any willful act of fraud or dishonesty that causes material damage to the Company; (iii) any willful violation of the Company's insider trading policy; (iv) any willful violation of the Company's conflict of interest policies; (v) any willful unauthorized use or disclosure of trade secrets or other confidential information; or (vi) Executive's conviction of a felony.

The foregoing shall not be deemed an exclusive list of all acts or omissions that the Company may consider as grounds for the termination of Executive's Employment, but it is an exclusive list of the acts or omissions that shall be considered “Cause” for the termination of Executive's Employment by the Company.

(h) **Good Reason Definition**. For all purposes under this Agreement, “Good Reason” shall mean the occurrence of any of the following, without Executive's express written consent: (i) a substantial reduction of Executive's duties or responsibilities; (ii) a substantial reduction in Executive's Base Salary or Target Amount other than a one-time reduction (not exceeding 10% in the aggregate) that also is applied to substantially all other executive officers of the Company on the CEO's written recommendation or written approval if Executive's reduction is substantially proportionate to, or no greater than, the reduction applied to substantially all other executive officers; (iii) the Company's material breach of this Agreement including without limitation the failure to timely provide Executive the cash compensation, equity compensation and/or employee benefits specified under this Agreement; or (iv) the Company requiring Executive to relocate principal place of business or the Company relocating its headquarters, in either case to a facility or location outside of a 30 mile radius from Executive's current principal place of employment; provided, however, that Executive will only have Good Reason if the event or circumstances constituting Good Reason specified in any of the preceding clauses is not cured or otherwise remedied to the Executive's satisfaction within 30 days after Executive gives written notice to the Board (provided that such written notice is provided within 90 days of the event Executive believes constitutes “Good Reason”).

(i) **Involuntary Termination Definition**. For all purposes under this Agreement, “Involuntary Termination” shall mean any of the following that occur without Executive's prior written consent: (i) termination of Executive's Employment by the Company without Cause, or (ii) Executive's resignation of Employment for Good Reason. In the event this Agreement and Executive's Employment hereunder terminates as a result of this Agreement not being extended at the end of the Initial Term or a successive term under Section 5(a), such termination of Executive's Employment shall not mean an Involuntary Termination.

7. Successors.

(a) **Company's Successors**. This Agreement shall be binding upon any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which becomes bound by this Agreement.

(b) **Executive's Successors**. This Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

8. Conditions to Receipt of Severance; No Duty to Mitigate.

(a) **Separation Agreement and Release of Claims**. The receipt of any severance benefits pursuant to Section 6 will be subject to Executive signing and not revoking a separation agreement and release of claims in substantially the form attached hereto as Exhibit A, but with any appropriate modifications, reflecting changes in applicable law, as is necessary or appropriate to provide the Company with the protection it would have if the release were executed as of the Effective Date. No severance benefits will be paid or provided until the separation agreement and release agreement becomes effective. The separation agreement and release of claims must in all cases be effective by the 60th day following Executive's termination of Employment.

(b) **Non-solicitation and Non-competition**. The receipt of any severance benefits will be subject to the Executive agreeing that during Employment and for the 12 month period after the Termination Date (the "Continuance Period"), the Executive will not (i) solicit any employee of the Company for employment other than at the Company, or (ii) directly or indirectly engage in, have any ownership interest in or participate in any entity that as of the Termination Date, directly competes with the Company in any substantial business of the Company or any business reasonably expected to become a substantial business (i.e., at least 5% of the Company's gross revenues) of the Company during the Continuance Period. Notwithstanding the foregoing, the provisions of Section 8(b)(ii) shall not be applicable to Executive on or after a Change in Control. The Executive's passive ownership of not more than 1% of any publicly traded company and/or 5% ownership of any privately held company will not constitute a breach of this Subsection (b).

(c) **Non-disparagement**. During Employment and the Continuance Period, the Executive will not knowingly publicly disparage, criticize, or otherwise make any derogatory statements regarding the Company, its directors, or its officers. The Company's then and future directors will not knowingly publicly disparage, criticize, or otherwise make any derogatory statements regarding the Executive during his Employment or the Continuance Period. The Company will also instruct its officers to not knowingly publicly disparage, criticize, or otherwise make any derogatory statements regarding the Executive during his Employment or the Continuance Period. Notwithstanding the foregoing, nothing contained in this Agreement will be deemed to restrict t he Executive, the Company or any of the Company's current or former officers and/or directors from providing information to any governmental or regulatory agency (or in any way limit the content of such information) to the extent they are requested or required to provide such information pursuant to any applicable law or regulation.

(d) **No Duty to Mitigate**. No payments or benefits provided to Executive (except as expressly provided in Section 6(b)) shall be subject to mitigation or offset.

9. Miscellaneous Provisions.

(a) **Indemnification**. The Company shall indemnify Executive to the maximum extent permitted by any applicable indemnification agreement, applicable law and the Company's bylaws with respect to Executive's Service (including timely advancing and/or reimbursing costs as incurred by Executive) and the Executive shall also be covered under a directors and officers liability insurance policy(ies) paid for by the Company.

(b) **Notice**. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by overnight courier, U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Executive, mailed notices shall be addressed to him at the home address that he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its CEO.

(c) **Arbitration**. The Company and Executive agree that any and all disputes arising out of the terms of this Agreement, the Executive's Employment, Executive's Service, or Executive's compensation and benefits, their interpretation and any of the matters herein released, will be subject to binding arbitration in Portland, Oregon before the American Arbitration Association under its National Rules for the Resolution of Employment Disputes. The Company and the Executive agree that the prevailing party in any arbitration will be entitled to injunctive relief in any court of competent jurisdiction to enforce the arbitration award. **The Company and the Executive hereby agree to waive their right to have any dispute between them resolved in a court of law by a judge or jury.** This Subsection (c) will not prevent either party from seeking injunctive relief (or any other provisional remedy) from any court having jurisdiction over the Company or the Executive and the subject matter of their dispute relating to Executive's obligations under this Agreement. Each party shall be responsible for its own out-of-pocket expenses related to the arbitration, including filing fees and arbitrator compensation. Notwithstanding the foregoing, if the arbitrator determines that a party has generally prevailed in the arbitration proceeding, then the arbitrator shall award to that party its reasonable attorney fees.

(d) **Modifications and Waivers**. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(e) **Whole Agreement**. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes any other agreements, representations or understandings (whether oral or written and whether express or implied) with respect to the subject matter hereof. In the event of any conflict in terms between this Agreement and/or the Plan and/or any agreement executed by and between Executive and the Company, the terms of this Agreement shall prevail and govern.

(f) **Legal Fees**. Each party shall pay its own legal fees and expenses incurred in connection with the preparation and execution of this Agreement.

(g) **Withholding Taxes**. All payments made under this Agreement shall be subject to reduction to reflect taxes or other charges required to be withheld by law.

(h) **Choice of Law**. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Oregon (except their provisions governing the choice of law).

(i) **Severability**. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(j) **Code Section 409A**. The termination benefits provided by Section 6 of this Agreement are intended to be exempt from Section 409A of the Code pursuant to the short-term deferral exception provided under Treasury Regulation 1.409A-1(b)(4), such that none of the termination benefits to be provided hereunder will be subject to the six (6) month delay imposed by Section 409A of the Code, and any ambiguities herein will be interpreted to so comply. The Company and Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Executive. Notwithstanding the foregoing, if Executive is a “specified employee” within the meaning of Section 409A of the Code and the final regulations and any guidance promulgated thereunder (“Section 409A”) at the time of Executive's termination (other than due to death), and the termination benefits payable to Executive pursuant to this Agreement, when solely considered together with any other severance payments or separation benefits which may be considered deferred compensation under Section 409A (together, the “Deferred Compensation Separation Benefits”) will not and could not under any circumstances, regardless of when such termination occurs, be paid in full by March 15 of the year following Executive's termination, then only that portion of the Deferred Compensation Separation Benefits which do not exceed the Section 409A Limit (as defined below) may be made within the first six (6) months following Executive's termination of employment in accordance with the payment schedule applicable to each payment or benefit. For these purposes, each severance payment is hereby designated as a separate payment and will not collectively be treated as a single payment. Any portion of the Deferred Compensation Separation Benefits in excess of the Section 409A Limit shall accrue and, to the extent such portion of the Deferred Compensation Separation Benefits would otherwise have been payable within the first six (6) months following Executive's termination of employment, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of Executive's termination. All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Executive dies following Executive's termination but prior to the six (6) month anniversary of Executive's termination, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other Deferred Compensation

Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit. For purposes of this Agreement, “Section 409A Limit” will mean the lesser of two (2) times: (A) Executive's annualized compensation based upon the annual rate of pay paid to Executive during the Company's taxable year preceding the Company's taxable year of Executive's termination of employment as determined under Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (B) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which Executive's employment is terminated.

(k) **No Assignment**. This Agreement and all rights and obligations of the Executive hereunder are personal to the Executive and may not be transferred or assigned by the Executive at any time. The Company may assign its rights under this Agreement to any entity that expressly in writing assumes the Company's obligations hereunder in connection with any sale or transfer of all or substantially all of the Company's assets to such entity.

(l) **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the Effective Date.

/s/ Joe Bedewi

Joe Bedewi

LATTICE SEMICONDUCTOR CORPORATION

By: /s/ Darin G. Billerbeck

Name: Darin G. Billerbeck

Title: Chief Executive Officer and President

EXHIBIT A

GENERAL RELEASE

RECITALS

This Separation Agreement and Release (“Agreement”) is made by and between Joe Bedewi (“Employee”) and Lattice Semiconductor Corporation (the “Company”) (jointly referred to as the “Parties”):

WHEREAS, Employee is employed by the Company;

WHEREAS, the Company and Employee entered into an Employment Agreement dated _______________ (the “Employment Agreement”);

WHEREAS, the Parties agree that Employee's employment with the Company will terminate on ________________ (the “Termination Date”);

WHEREAS, the Company and Employee entered into a Proprietary Rights Agreement dated [__________] regarding intellectual property and confidential information (the “Proprietary Rights Agreement”);

WHEREAS, the Company and Employee entered into an Indemnification Agreement, dated [_______], regarding Employee's rights to indemnification (the “Indemnification Agreement”);

WHEREAS, Employee is a participant, or is eligible to participate, in the Company's Executive Deferred Compensation Plan dated [_______], as amended, regarding Employee's rights to receive deferred compensation (the “Deferred Compensation Plan”);

WHEREAS, the Company and Employee entered into Stock Option Agreements dated [____] granting Employee the option to purchase shares of the Company's common stock subject to the terms and conditions of the Company's Stock Option Plan(s) and the Stock Option Agreements and is the grantee of restricted stock units representing shares of the Company's common stock pursuant to the terms of Notice(s) of Grant and related equity incentive plans (the “Equity Agreements”);

WHEREAS, the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions and demands that Employee may have against the Company as defined herein, arising out of, or related to, Employee's employment with, or separation from, the Company;

NOW THEREFORE, in consideration of the promises made herein, the Parties hereby agree as follows:

COVENANTS

1. Consideration

(a) Pursuant to Section 8(a) of the Employment Agreement, Employee's receipt of severance is subject to Employee executing and not revoking this Release. In consideration of Employee executing and not revoking this Release, the Company agrees to pay (or provide, as applicable) Employee a cash payment of $_________ on the Effective Date and also the benefits specified in the Employment Agreement. Employee acknowledges that such cash payment and the provision of such benefits will be in full satisfaction of the payments and obligations provided under the Employment Agreement and he will not be entitled to any additional salary, wages, bonuses, accrued vacation, housing allowances, relocation costs, interest, severance, stock, stock options, outplacement costs, fees, commissions or any other benefits and compensation, except as provided in any Company employee welfare or pension benefit plans as defined by the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (such plans, the "Benefit Plans"), this Agreement, the Indemnification Agreement, the Deferred Compensation Plan and/or the Equity Agreements.

(b) Stock. Employee acknowledges that as of the Termination Date, and after taking into account any accelerated vesting provided by the Employment Agreement or Stock Agreements, he will then hold vested stock options to acquire [______] shares of Company common stock and no more, and will hold vested restricted stock units that will be settled for [______] shares of Company common stock and no more. The exercise of any stock options and the settlement of any restricted stock units shall continue to be subject to the terms and conditions of the Equity Agreements and the Employment Agreement.

(c) Benefits. Employee's health insurance benefits will cease on the last day of the month of the Termination Date, subject to Employee's right to continue his health insurance as provided in the Employment Agreement (with such premiums to be paid by the Company as provided in the Employment Agreement). Subject to the Employment Agreement, the Deferred Compensation Plan, the Indemnification Agreement, the Equity Agreements and/or the Benefit Plans, Employee's participation in all other benefits and incidents of employment (including, but not limited to, the accrual of vacation and paid time off (if applicable), and the vesting of stock options and restricted stock units) will cease on the Termination Date.

2. Confidential Information. Employee shall continue to comply with the terms and conditions of the Proprietary Rights Agreement, and maintain the confidentiality of all of the Company's confidential and proprietary information. Employee also shall return to the Company all of the Company's property, including all confidential and proprietary information, in Employee's possession, on or before the Effective Date.

3. Release of Claims. Employee agrees that the foregoing consideration represents settlement in full of all outstanding obligations owed to Employee by the Company. Employee, on his own behalf and on behalf of his respective heirs, family members, executors, agents, and assigns, hereby fully and forever releases the Company and its current and former: officers, directors, employees, agents, investors, attorneys, shareholders, administrators, affiliates, divisions, subsidiaries, predecessor and successor corporations and assigns (the "Releasees") from, and agrees not to sue any of the Releasees concerning, any claim, duty, obligation or cause of action for monetary damages relating to any matters of any kind arising out of or relating to his employment by the Company (except as provided in the Employment Agreement), or his service as an officer of the

Company and/or a director of the Company, whether presently known or unknown, suspected or unsuspected, that Employee may possess arising from any omissions, acts or facts that have occurred up until and including the Effective Date, excluding the "Excluded Claims" (as defined below) and including, without limitation:

(a) any and all claims relating to or arising from Employee's employment with the Company, or the termination of that employment;

(b) any and all claims relating to, or arising from, Employee's right to purchase, or actual purchase of, shares of Company stock, including, but not limited to, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

(c) any and all claims under the law of any jurisdiction, including, but not limited to, wrongful discharge of employment; constructive discharge from employment; termination in violation of public policy; discrimination; breach of contract, both express and implied; breach of a covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; and conversion;

(d) any and all claims for violation of any federal, state or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967; the Americans with Disabilities Act of 1990; the Fair Labor Standards Act; ERISA; the Worker Adjustment and Retraining Notification Act; the Older Workers Benefit Protection Act; the Family and Medical Leave Act; and the Fair Credit Reporting Act;

(e) any and all claims for violation of the federal, or any state, constitution;

(f) any and all claims arising out of any other laws and regulations relating to employment or employment discrimination; and

(g) any and all claims for attorney fees and costs.

For purposes of this Agreement, the "Excluded Claims" shall include any claims pursuant to the Benefit Plans, the Deferred Compensation Plan, the Indemnification Agreement, the right to receive an excise tax gross-up under Section 6(e) of the Employment Agreement, the non-disparagement clause of Section 8(c) of the Employment Agreement, the right to indemnification under Section 9(a) of the Employment Agreement, the Code Section 409A clause of Section 9(j) of the Employment Agreement, and any right to exercise stock options or receive restricted stock units pursuant to the relevant provisions of the Equity Agreements.

4. <u>Acknowledgement of Waiver of Claims Under ADEA</u>. Employee acknowledges that he is waiving and releasing any rights he may have against the Releasees for monetary damages under the Age Discrimination in Employment Act of 1967 ("ADEA") and that this waiver and release is knowing and voluntary. Employee and the Company agree that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date. Employee acknowledges that the consideration given for this waiver and release Agreement is in addition to anything of value to which Employee was already entitled. Employee further acknowledges that he has been advised by this writing that:

(a) he should consult with an attorney prior to executing this Release;

(b) he has up to twenty-one (21) days within which to consider this Release;

(c) he has seven (7) days following his execution of this Release to revoke this Release;

(d) this ADEA waiver shall not be effective until the revocation period has expired; and,

(e) nothing in this Release prevents or precludes Employee from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties or costs for doing so, unless specifically authorized by federal law.

5. Unknown Claims. The Parties represent that they are not aware of any claim by either of them other than the claims that are released by this Release. Employee acknowledges that he has been advised by legal counsel and are familiar with the principle that a general release does not extend to claims which the releasor does not know or suspect to exist in his favor at the time of executing the Release, which if known by him must have materially affected his settlement with the Releasee. Employee, being aware of said principle, agrees to expressly waive any rights Employee may have to that effect, as well as under any other statute or common law principles of similar effect.

6. Application for Employment. Employee understands and agrees that, as a condition of this Release, he shall not be entitled to any employment with the Company, its subsidiaries, or any successor, and he hereby waives any alleged right of employment or re-employment with the Company, its subsidiaries or related companies, or any successor.

7. No Cooperation. Employee agrees that he will not knowingly counsel or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against any of the Releasees for monetary damages, unless requested by a governmental agency or unless under a subpoena or other court order to do so. Employee agrees both to immediately notify the Company upon receipt of any such subpoena or court order, and to furnish, within three (3) business days of its receipt, a copy of such subpoena or court order to the Company. If otherwise approached by anyone for counsel or assistance in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints against any of the Releasees, Employee shall state no more than that he cannot provide such counsel or assistance.

8. Costs. The Parties shall each bear their own costs, expert fees, attorney fees and other fees incurred in connection with the preparation of this Release.

9. Arbitration. The Parties agree that any and all disputes arising out of, or relating to, the terms of this Release, their interpretation, and any of the matters herein released, shall be subject to binding arbitration as described in Section 9(c) of the Employment Agreement.

10. **No Representations.** Each Party represents that it has had the opportunity to consult with an attorney, and has carefully read and understands the scope and effect of the provisions of this Release. Neither Party has relied upon any representations or statements made by the other Party hereto which are not specifically set forth in this Release.

11. **No Oral Modification.** Any modification or amendment of this Release, or additional obligation assumed by either Party in connection with this Release, shall be effective only if placed in writing and signed by both Parties or their authorized representatives.

12. **Entire Agreement.** This Release, the Employment Agreement, the Indemnification Agreement, the Deferred Compensation Plan, the Benefit Plans, the Proprietary Rights Agreement and the Equity Agreements represent the entire agreement and understanding between the Company and Employee concerning the subject matter of this Release and Employee's relationship with the Company, and supersede and replace any and all prior agreements and understandings between the Parties concerning the subject matter of this Release and Employee's relationship with the Company.

13. **Governing Law.** This Release shall be governed by the laws of the State of Oregon, without regard for choice of law provisions.

14. **Effective Date.** This Release is only effective after it has been signed by both parties and after eight (8) days have passed following the date Employee signed the Agreement without Employee revoking this Agreement (the “Effective Date”).

15. **Voluntary Execution of Release.** This Release is executed voluntarily and with the full intent of releasing all claims, and without any duress or undue influence by any of the Parties. The Parties acknowledge that:

(a) They have read this Release;

(b) They have been represented in the preparation, negotiation, and execution of this Release by legal counsel of their own choice or that they have voluntarily declined to seek such counsel;

(c) They understand the terms and consequences of this Release and of the releases it contains; and

(d) They are fully aware of the legal and binding effect of this Release.

IN WITNESS WHEREOF, each of the Parties has executed this Release, in the case of the Company by a duly authorized officer, as of the day and year written below.

COMPANY:

LATTICE SEMICONDUCTOR CORPORATION

By: ______________________ Date: ______________________

Title: ______________________

EMPLOYEE:

______________________ Date: ______________________

Joe Bedewi

Exhibit 31.1

CERTIFICATION

I, Darin G. Billerbeck, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lattice Semiconductor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2011

/s/ DARIN G. BILLERBECK

Darin G. Billerbeck
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Joe Bedewi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lattice Semiconductor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2011

/s/ JOE BEDEWI

Joe Bedewi
Corporate Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lattice Semiconductor Corporation (the Company) on Form 10-Q for the quarter ended April 2, 2011 (the Report), I, Darin G. Billerbeck, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

/s/ DARIN G. BILLERBECK
Darin G. Billerbeck
President and Chief Executive Officer

Date: May 5, 2011

Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Lattice Semiconductor Corporation (the Company) on Form 10-Q for the quarter ended April 2, 2011 (the Report), I, Joe Bedewi, Corporate Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

/s/ JOE BEDEWI

Joe Bedewi
Corporate Vice President and Chief Financial Officer

Date: May 5, 2011