UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended April 1, 2000

OR

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

For the transition period from _____ to _____

Commission file number 0 - 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

At April 1, 2000 there were 49,183,035 shares of the Registrant's common stock, $.01 par value, outstanding.

LATTICE SEMICONDUCTOR CORPORATION

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PART I. FINANCIAL INFORMATION

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LATTICE SEMICONDUCTOR CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share data)
(unaudited)

	Three Months Ended	
	March 31, 2000	March 31, 1999 (Note 1)
Revenue	$ 126,055	$ 53,788
Costs and expenses:		
Cost of products sold	49,585	20,743
Research and development	18,243	8,877
Selling, general and administrative	19,514	9,476
Amortization of intangible assets	20,362	--
Total costs and expenses	107,704	39,096
Income from operations	18,351	14,692
Gain on appreciation of foundry investments	149,960	--
Other (expense) income, net	(1,161)	2,860
Income before provision for income taxes	167,150	17,552
Provision for income taxes	62,329	5,704
Net income	$ 104,821	$ 11,848
Basic net income per share	$ 2.15	$ 0.25
Diluted net income per share	$ 1.84	$ 0.24
Shares used in per share calculations:		
Basic net income	48,738	47,076
Diluted net income	58,409	48,398

See Accompanying Notes to Consolidated Financial Statements

LATTICE SEMICONDUCTOR CORPORATION

CONSOLIDATED BALANCE SHEET
(In thousands, except share and par value data)

	March 31, 2000	December 31, 1999
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 87,645	$ 113,824
Short-term investments	150,159	100,316
Accounts receivable, net	58,759	33,676
Inventories	30,662	26,036
Prepaid expenses and other current assets	16,005	10,407
Deferred income taxes	35,900	29,727
Total current assets	379,130	313,986
Property and equipment, net	64,296	59,689
Foundry investments, advances and other assets	283,582	130,274
Intangible assets, net	351,600	373,117
Deferred income taxes	--	39,089
	$1,078,608	$ 916,155
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 107,288	$ 103,581
Deferred income on sales to distributors	54,230	45,188
Income taxes payable	8,594	12,459
Total current liabilities	170,112	161,228
4 3/4% Convertible notes due in 2006	260,000	260,000
Deferred income taxes	15,457	--
Other long-term liabilities	13,699	12,154
Commitments and contingencies	--	--
Stockholders' equity:		
Preferred stock, $.01 par value, 10,000,000 shares authorized; none issued or outstanding	--	--
Common stock, $.01 par value, 100,000,000 shares authorized, 49,183,035 and 48,285,719 shares issued and outstanding	492	483
Paid-in capital	297,290	270,228
Other comprehensive income	4,675	--
Retained earnings	316,883	212,062
Total stockholders' equity	619,340	482,773
	$1,078,608	$ 916,155

See Accompanying Notes to Consolidated Financial Statements.

LATTICE SEMICONDUCTOR CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)
(unaudited)

	Three Months Ended	
	March 31, 2000	March 31, 1999
Cash flows from operating activities:		
Net income	$ 104,821	$ 11,848
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,159	2,875
Gain on appreciation of foundry investments	(149,960)	--
Changes in assets and liabilities:		
Accounts receivable	(25,083)	(5,286)
Inventories	(4,626)	1,377
Prepaid expenses and other assets	(3,932)	(540)
Accounts payable and accrued expenses	3,707	3,470
Deferred income	9,042	3,304
Income taxes payable	(3,865)	256
Deferred income taxes	48,373	(1,154)
Other liabilities	1,545	--
Total adjustments	(99,640)	4,302
Net cash provided by operating activities	5,181	16,150
Cash flows from investing activities:		
(Purchase of) proceeds from short-term investments, net	(49,843)	4,288
Capital expenditures	(8,590)	(4,378)
Net cash used by investing activities	(58,433)	(90)
Cash flows from financing activities:		
Net proceeds from issuance of common stock	27,073	8,497
Net cash provided by financing activities	27,073	8,497
Net (decrease) increase in cash and cash equivalents	(26,179)	24,557
Beginning cash and cash equivalents	113,824	54,744
Ending cash and cash equivalents	$ 87,645	$ 79,301
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$ 7,771	$ 3,712
Supplemental disclosures of non-cash investing and financing activities:		
Gain on appreciation of foundry investments included in other comprehensive income	4,675	--

See Accompanying Notes to Consolidated Financial Statements.

LATTICE SEMICONDUCTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1 - Basis of Presentation:

The accompanying consolidated financial statements are unaudited and have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission and in the opinion of management include all adjustments, consisting only 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 consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in our annual report on Form 10-K for the fiscal period ended January 1, 2000.

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

In the fourth quarter of calendar 1999, we changed our reporting period to a 52 or 53 week year ending on the Saturday closest to December 31 from a 52 or 53 week fiscal year ending on the Saturday closest to March 31. For ease of presentation, December 31 or March 31 has been utilized as the fiscal period date for all financial statement captions. Additionally, for purposes of these consolidated financial statements, the three-month fiscal period ended April 3, 1999 is referred to as "the first quarter of 1999", and the three-month fiscal period ended on April 1, 2000 is referred to as "the first quarter of 2000".

On June 15, 1999, we completed the acquisition of all of the outstanding capital stock of Vantis Corporation ("Vantis") from Advanced Micro Devices, Inc. ("AMD"). See Note 3. The transaction was accounted for as a purchase, and accordingly, the results of operations of Vantis and estimated fair value of assets acquired and liabilities assumed were included in our consolidated financial statements beginning June 16, 1999. There are no significant differences between our accounting policies and those of Vantis. The accompanying consolidated financial statements include the accounts of Lattice Semiconductor Corporation and its wholly owned subsidiaries after the elimination of all significant intercompany balances and transactions.

This Quarterly Report on Form 10-Q contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. In particular, the assumptions set forth in Note 3 and in the Management Discussion and Analysis section of this Current Report on Form 10-Q regarding revenue growth and cost of capital which underlie the Company's calculation of the in-process research and development expenses contain forward-looking statements and are qualified by the risks associated with

overall semiconductor market conditions, market acceptance and demand for our new products, our dependencies on our foundry suppliers, the impact of competitive products and pricing, technological and product development risks, and other risks detailed in our Annual Report on Form 10-K for the fiscal period ended January 1, 2000 and other reports filed from time to time with the Securities Exchange Commission ("SEC"). Actual results could differ materially from those projected in the forward-looking statements.

Note 2 - Revenue Recognition:

Revenue from sales to OEM (original equipment manufacturer) customers is recognized upon shipment. Certain of our sales are made to distributors under agreements providing price protection and right of return on unsold merchandise. Revenue and costs relating to such distributor sales are deferred until the product is sold by such distributors and the related revenue and costs are then reflected in income.

Note 3 - Acquisition of Vantis:

On June 15, 1999, we paid approximately $500.1 million in cash to AMD for all of the outstanding capital stock of Vantis Corporation. Additionally, we paid approximately $10.8 million in direct acquisition costs, accrued an additional $5.4 million of pre-acquisition contingencies, accrued $8.3 million in exit costs and assumed certain liabilities of $34.5 million related to the Vantis business. This purchase was financed using a combination of cash reserves and a new credit facility bearing interest at adjustable rates (see Note 4). In addition, we exchanged Lattice stock options for all of the options outstanding under the former Vantis employee stock plans with a calculated Black-Scholes value of approximately $24.0 million. The total purchase price of Vantis was $583.1 million. The purchase price was allocated to the estimated fair value of assets acquired and liabilities assumed based on an independent appraisal and management estimates. The purchase price and the related allocation are subject to further refinement and change during the first half of 2000. The total purchase price was allocated as follows (in millions):

Current technology	$210.3
Excess of purchase price over net assets assumed	158.8
In-process research and development	89.0
Fair value of other tangible net assets	61.3
Assembled workforce, customer list, patents and trademarks	53.5
Fair value of property, plant and equipment	10.2
Total	$583.1

VANTIS INTEGRATION

We have taken certain actions to integrate the Vantis operations and, in certain instances, to consolidate duplicative operations. Accrued exit costs related to Vantis were recorded as an

adjustment to the fair value of net assets in the purchase price allocation. Accrued exit costs include $4.2 million related to Vantis office closures, $2.5 million related to separation benefits for Vantis employees and $1.1 million in other exit costs primarily relating to the termination of Vantis foreign distributors. Separation benefits relate primarily to twenty Vantis senior managers. At March 31, 2000, seven employees from this group had terminated. As of March 31, 2000, an additional 55 Vantis employees had terminated for other merger-related reasons. Payments of approximately $1.4 million have been charged to this accrued liability. If these employees had not terminated, substantially all of the related costs would have been charged to selling, general and administrative expenses. Charges to other exit cost accrued liabilities were not significant for the period from June 15, 1999 through March 31, 2000. These accruals are based upon our current estimates and are in accordance with Emerging Issues Task Force ("EITF") No. 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination."

IN-PROCESS RESEARCH AND DEVELOPMENT ("IPR&D")

The value assigned to IPR&D was determined by identifying individual research projects for which technological feasibility had not been established. These include semiconductor projects with a value after application of the SEC's IPR&D valuation methodology of $77.2 million and a process technology project with a value of $11.8 million. The value of each project was determined by estimating the expected cash flows from the projects once commercially viable, applying a factor based on the stage of completion of each project so as to include only those cash flows that relate to development efforts prior to the acquisition date, and discounting the resulting net cash flows back to their present value. The percentage of completion for each project was determined using proportionate cost incurred and technical milestones achieved to date. The percentage of completion varied by individual project ranging from 50% to 69% for semiconductors on June 15, 1999. The process technology project was estimated to be 90% complete on June 15, 1999. Since June 15, 1999, there have been no significant changes in the assumptions underlying these valuations.

The nature of the efforts to develop the in-process research and development into commercially viable products for semiconductors principally relate to the completion of design, simulation, verification, documentation, test program development, prototyping, reliability testing and qualification, hardware and software integration as well as customer system-level testing and acceptance. For the process technology, the nature of the efforts required to establish the commercial viability of the in-process research and development project principally relate to transistor design, lithography and metalization process development, process integration, transistor size reduction plans, development of packaging integration technology, achievement of manufacturability goals, satisfaction of reliability standards and completion of qualification testing.

The semiconductor projects are related to new PLD products (requiring new architectures and process technologies) and have the attendant risks associated with development of advanced semiconductor circuit designs such as achievement of speed, power, density, reliability and cost goals. All of the semiconductor projects have remaining risks related to achievement of these design goals and effective software integration. In addition, certain projects have basic circuit design and layout activities which had not been completed as of June 15, 1999. These semiconductor projects are scheduled for market release during 2000 and continuing through 2001.

Estimated costs to complete all in-process semiconductor projects at June 15, 1999 totaled $19.0 million and range from $0.2 million to $16.5 million.

The process technology project is related to the development of a new advanced manufacturing process to reduce transistor size, improve speed and lower power consumption. Through June 15, 1999, transistor design, lithography and metalization process development, process integration and certain transistor size reduction plans had been achieved. Development of packaging integration technology, achievement of manufacturability yield objectives, satisfaction of reliability standards and qualification testing had not been accomplished at June 15, 1999. The process was qualified for initial production in the first quarter of 2000 with approximately $450,000 of costs incurred after June 15, 1999 out of a total of $4 million of estimated costs. This process technology, is expected to remain in production through 2004.

If the projects discussed above are not successfully developed, the future sales and profitability of the combined company may be adversely affected. Additionally, the value of other intangible assets acquired may become impaired. Management believes that the IPR&D charge of $89 million is valued consistently with the SEC staff's current views regarding valuation methodologies. There can be no assurances, however, that the SEC staff will not take issue with any assumptions used in our valuation model and require a revision in the amount allocated to IPR&D.

The estimated costs to develop the in-process research and development into commercially viable products at June 15, 1999 are approximately $19.4 million in aggregate-$4.7 million in 1999 subsequent to the transaction date, $10.0 million in 2000, and $4.7 million in 2001.

The net cash flows from each project are based on management's estimates of revenues, cost of sales, research and development costs, selling, general and administrative costs, and income taxes from such projects. These estimates are based on the below mentioned assumptions.

The estimated revenues are based on projected average compounded annual revenue growth rates for semiconductor products that are in line with industry analysts' forecasts of growth in the markets in which Vantis competes. Estimated total revenues from the in-process research and development product areas are expected to peak in the year 2005 and decline rapidly thereafter as replacement products are expected to enter the market. These projections are based on management estimates of market size and growth, expected trends in technology, and the nature and expected timing of new product introductions by Vantis and its competitors.

In developing cash flow estimates, gross margins, research and development costs and selling general and administrative expenses were consistent with Vantis historical experience adjusted for expected changes in its stand-alone performance.

Vantis' management estimated a profit split from the in-process projects to the current products to account for the fact that Vantis' in-process projects are partially dependent on technology that has already established its feasibility. The profit split from each in-process product was estimated as a percentage of the total value of the in-process product which was attributable to existing Vantis core technology.

The net cash flows were discounted back to their present value based on the weighted average cost of capital (WACC). The WACC calculation estimates the rate of return required on an investment in an operating enterprise and considers the rates of return required from investments in various areas of that enterprise. The WACC assumed for Vantis, as a corporate business enterprise, is approximately 16%. The discount rate used in discounting the net cash flows from in-process research and development is 20% to 22%, which is 4% to 6% higher than the discount rate used in discounting the net cash flows from current technology. This discount rate is higher than the WACC due to the inherent uncertainties in the estimates described above including uncertainty surrounding the successful development of the in-process research and development projects, the useful life of such technology, the profitability levels of such technology and the uncertainty of technological advances that are unknown at this time.

USEFUL LIVES OF INTANGIBLE ASSETS

The estimated weighted average useful life of the intangible assets for current technology, assembled workforce, customer lists, trademarks, patents and residual goodwill, created as a result of the acquisition, is approximately five years.

PRO FORMA RESULTS

The following pro forma results of operations information is provided for illustrative purposes only and do not purport to be indicative of the consolidated results of operations for future periods or that actually would have been realized had Lattice and Vantis been a consolidated entity during the periods presented. These pro forma results do not include the effect of non-recurring purchase accounting adjustments. The pro forma results combine the results of operations as if Vantis had been acquired as of the beginning of the periods presented. The results include the impact of certain adjustments such as goodwill amortization, estimated changes in interest income (expense) related to cash outlays and borrowings associated with the transaction (see Note 4) and income tax benefits related to the aforementioned adjustments.

	MAR. 31, 1999
	THREE MONTHS ENDED
	PRO FORMA RESULTS
	(UNAUDITED)
	(IN THOUSANDS, EXCEPT PER-SHARE AMOUNTS)
Revenue	$100,945
Net loss	$(1,722)
Basic loss per share	$(0.04)
Diluted loss per share	$(0.04)

Note 4 - Debt:

On October 28, 1999, we issued $260 million in 4 3/4% convertible subordinated notes due on November 1, 2006. These notes pay interest semi-annually on May 1 and November 1. Holders of these notes may convert them into shares of our common stock at any time on or before November 1, 2006, at a conversion price of $41.44 per share, subject to adjustment in certain events. Beginning on November 6, 2002 and ending on October 31, 2003, we may redeem the notes in whole or in part at a redemption price of 102.71% of the principal amount. In the subsequent three twelve-month periods, the redemption price declines to 102.04%, 101.36% and 100.68% of principal, respectively. The notes are subordinated in right of payment to all of our senior indebtedness, and are subordinated by operation of law to all liabilities of our subsidiaries. At March 31, 2000, we had no senior indebtedness and our subsidiaries had $17.2 million of debt and other liabilities outstanding. Issuance costs relative to the convertible subordinated notes are included in other assets and aggregated approximately $6.9 million and are being amortized to expense over the lives of the notes. Accumulated amortization amounted to approximately $770,000 at March 31, 2000.

On June 15, 1999, we entered into a credit agreement with a group of lenders and ABN AMRO Bank N.V. ("ABN AMRO") as administrative agent for the lender group. The credit agreement consisted of two credit facilities: a $60 million unsecured revolving credit facility ("Revolver"), and a $220 million unsecured reducing term loan ("Term Loan"), both expiring and due on June 30, 2002. On June 15, 1999, we borrowed $220 million under the Term Loan and approximately $33 million under the Revolver. The credit facilities allowed for borrowings at adjustable rates with interest payments due quarterly. The $33 million Revolver was repaid in full during the third quarter of 1999.

In conjunction with the issuance of the convertible subordinated notes, we repaid the $220 million Term Loan in full during the fourth quarter of 1999. Remaining unamortized loan fees at the time of repayment, aggregating approximately $2.6 million ($1.7 million net of income taxes or a charge of $0.04 for basic and diluted earnings per share), were written off in the fourth quarter of 1999 and charged in the Consolidated Statement of Operations as an Extraordinary Item, Net of Income Taxes.

Note 5 - Net income per share

Net income per share is computed based on the weighted average number of shares of common stock and common stock equivalents assumed to be outstanding during the period using the treasury stock method. Common stock equivalents consist of stock options and warrants to purchase common stock. The convertible notes issued in October 1999 (see Note 4) are potentially dilutive securities.

On August 11, 1999 our Board of Directors approved a two-for-one stock split of our common stock to be effected in the form of a stock dividend of one share of common stock for each share of our outstanding common stock. All share and per share amounts presented in the accompanying consolidated financial statements and notes thereto have been adjusted retroactively to reflect the two-for-one split.

The most significant difference between basic and diluted net income per share is that basic net income per share does not treat potentially dilutive securities such as convertible notes, options and warrants as outstanding. A reconciliation of the numerators and denominators of basic and diluted net income per share is presented below (in thousands, except for per share data):

	Three Months Ended	
	March 31, 2000	March 31, 1999
Basic and diluted net income	$104,821	$ 11,848
Shares used in basic net income per share calculations	48,738	47,076
Dilutive effect of convertible notes, options and warrants	9,671	1,322
Shares used in diluted net income per share calculations	58,409	48,398
Basic net income per share	$ 2.15	$ 0.25
Diluted net income per share	$ 1.84	$ 0.24

For the first quarter of 2000, the computation of diluted net income per share includes the effect of stock options and the $260 million of convertible notes (see Note 4). Diluted net income per share is adjusted to exclude interest expense and debt issuance cost amortization (net of tax) of approximately $2.4 million. Diluted weighted-average shares outstanding include the dilutive effect of stock options and approximately 6.3 million shares issuable on the assumed conversion of the notes.

Note 6 - Inventories (in thousands):

	Mar. 31, 2000	Dec. 31, 1999
Work in progress	$18,905	$14,009
Finished goods	11,757	12,027
	$30,662	$26,036

Note 7 - Changes in Stockholders' Equity (in thousands):

	Common Stock	Paid-in Capital	Unrealized gain on appreciation of Foundry Investments	Retained Earnings	Total
Balances, Dec. 31, 1999	$ 483	$ 270,228	--	$ 212,062	$ 482,773
Common stock issued	9	14,160	--	--	14,169
Tax benefit of option exercises	--	12,904	--	--	12,904
Unrealized gain on appreciation of foundry investments (Note 10)	--	--	4,675	--	4,675
Other	--	(2)	--	--	(2)
Net income for the three-month period	--	--	--	104,821	104,821
Balances, March 31, 2000	$ 492	$ 297,290	$ 4,675	$ 316,883	$ 619,340

Total comprehensive income for the first quarter of 2000 aggregates approximately $109.5 million and is comprised of net income of $104.821 million and unrealized gain on appreciation of foundry investments of $4.675 million.

Note 8 - New Accounting Pronouncements:

In June 1998, the FASB issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 establishes new accounting treatment for derivatives and hedging activities and supercedes and amends a number of existing accounting standards. For the Company, this pronouncement, as amended by SFAS 137, will be effective in 2001 and is not anticipated to have a material effect on the consolidated financial statements.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition," which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the SEC. SAB 101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosures related to revenue recognition policies. Management believes that the impact of SAB 101 does not have a material effect on our financial position or results of operations.

Note 9 - Legal matters:

ADVANCED MICRO DEVICES, INC. V. ALTERA CORPORATION (CASE NO. C-94-20567-RMW, N.D. CAL.).

This litigation, which began in 1994, involves multiple claims and counterclaims for patent infringement relating to Vantis and Altera programmable logic devices. We assumed this litigation as part of our acquisition of Vantis. In April 1999, the Federal Court of Appeal reversed earlier jury and Court decisions and held that Altera is not licensed to the eight AMD patents-in-suit. These eight AMD patents were subsequently assigned to Vantis. Also in April 1999, following the decision of the Federal Court of Appeal, Altera filed a petition for rehearing. In June 1999, the Federal Court of Appeal denied Altera's petition for rehearing.

In connection with our acquisition of Vantis, we have agreed to assume both the claims against Altera and the claims by Altera against AMD. Although there can be no assurance as to the results of such litigation, based upon information presently known to management, we do not believe that the ultimate resolution of this lawsuit will have a material adverse effect on our consolidated results of operations, financial position, or cash flows.

Note 10 - Gain on appreciation of Foundry Investments:

During the first quarter of 2000, we recognized a $150.0 million gain ($92.1 million after-tax) representing the appreciation of foundry investments made in two Taiwanese companies, UICC and Utek. Effective January 3, 2000, UICC and Utek merged with UMC, a publicly traded Taiwanese company. As a result of this merger, we now own approximately 61 million shares of UMC common stock. Due to regulatory restrictions, the majority of our UMC shares may not be sold until July 2000. These regulatory restrictions will gradually expire between July 2000 and January 2004. As the regulatory restrictions expire and if we liquidate our UMC shares, it is likely that the amount of any future realized gain will be different from the accounting gain reported. In conjunction with the gain, we recorded a deferred tax liability of approximately $57.9 million.

During the first quarter of 2000, we recorded an additional approximate $7.6 million unrealized gain ($4.7 million after-tax) subsequent to the UICC and Utek merger on appreciation of non-restricted UMC shares owned by the Company. The $4.7 million net unrealized gain is reflected as Other Comprehensive Income in changes in Stockholders' Equity (see Note 7).

Note 11 - Segment and Geographic Information:

The Company operates in one industry segment comprising the design, development, manufacture and marketing of high performance programmable logic devices. The Company's sales by major geographic area were as follows (in thousands):

	Mar. 31, 2000	Mar. 31, 1999
United States	$ 53,275	$ 27,800
Export sales:		
France	12,964	1,285
Other Europe	24,873	12,144
Asia	23,997	10,371
Other	10,946	2,188
	72,780	25,988
	$126,055	$ 53,788

Resale of product through two distributors accounted for approximately 20% and 17% in the first quarter of 2000, and 25% and 10%, respectively, for the first quarter of 1999. Revenue from one customer accounted for approximately 10% of total revenues for the first quarter of 2000. More than 90% of our property and equipment is located in the United States. Other long-lived assets located outside the United States consist primarily of foundry investments and advances (see Note 10).

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

RESULTS OF OPERATIONS

Key elements of the statements of operations, expressed as a percentage of revenues, were as follows:

	THREE MONTHS ENDED	
	MARCH 31, 2000	MARCH 31, 1999
Revenue	100.0%	100.0%
Gross margin	60.7%	61.4%
Research and development expenses	14.5%	16.5%
Selling, general and administrative expenses	15.5%	17.6%
Income from operations	14.6%	27.3%

REVENUE:

Revenue for the first quarter of 2000 increased $72.3 million or 134% as compared to the first quarter of 1999. In addition to our acquisition of Vantis, the revenue increase was attributable to increased sales of high density products in all geographies and recovering demand from Asia.

Overall average selling prices increased slightly in the first quarter of 2000 as compared to the first quarter of 1999. Fluctuations in overall average selling prices were due primarily to product mix changes and increased demand. Although selling prices of mature products generally decline over time, this decline is at times offset by higher selling prices of new products. Our ability to achieve revenue growth is in large part dependent on the continued development, introduction and market acceptance of new products. See "Factors Affecting Future Results".

GROSS MARGIN:

Gross margin as a percentage of revenue was 60.7% in the first quarter of 2000 as compared to 61.4% in the first quarter of 1999. The gross margin decline in the first quarter of 2000 as compared to the first quarter of 1999 is attributable to our acquisition of Vantis on June 15, 1999. The decline was partially offset by an improvement in product mix and reductions in our manufacturing costs. Reductions in manufacturing costs resulted primarily from yield improvements, migration of products to more advanced technologies and smaller die sizes, and wafer price reductions.

RESEARCH AND DEVELOPMENT:

Research and development ("R&D") expenses increased by approximately $9.4 million, or 106%, in the first quarter of 2000 when compared to the first quarter of 1999. In addition to the acquisition of Vantis, spending increases resulted primarily from the development of new products. We believe that a continued commitment to research and development is essential in order to maintain product leadership of our existing product families and to provide innovative new product offerings, and therefore we expect to continue to make significant future investments in research and development.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE:

Selling, general and administrative ("SG&A") expenses increased $10.0 million, or 106%, in the first quarter of 2000 when compared to the first quarter of 1999. This increase was primarily due to our Vantis acquisition, and to a lesser extent, increased variable costs associated with higher revenue levels.

AMORTIZATION OF INTANGIBLE ASSETS:

Amortization of intangible assets acquired in the Vantis acquisition was $20.4 million for first quarter of 2000. The estimated weighted average useful life of the intangible assets for current technology, assembled workforce, customer lists, trademarks, patents and residual goodwill, created as a result of the acquisition, is approximately five years.

GAIN ON APPRECIATION OF FOUNDRY INVESTMENTS:

The gain on appreciation of foundry investments in the first quarter of 2000 represents appreciation of foundry investments made in two Taiwanese companies, UICC and Utek (see Note 10).

OTHER INCOME (EXPENSE), NET:

Other income (expense), net decreased by approximately $4.0 million in the first quarter of fiscal 2000 as compared to the first quarter of 1999. This was primarily due to interest expense of approximately $3.0 million from acquisition related debt and reduced interest income resulting from lower cash and investment balances related to our acquisition of Vantis.

PROVISION FOR INCOME TAXES:

The provision for income taxes for the first quarter of 2000 is 37.3% of pretax income, as compared to 32.5% for the first quarter of 1999. The rate change for the first quarter of 2000 as compared to the first quarter of 1999 was due primarily to a decrease in the proportion of tax-exempt interest income included in our overall net income as a result of application of our marginal tax rate on the unrealized gain on appreciation of foundry investments.

FACTORS AFFECTING FUTURE RESULTS

Notwithstanding the objectives, projections, estimates and other forward-looking statements in this Annual Report, our future operating results will continue to be subject to quarterly variations based on a wide variety of risks. These risks include, but are not limited to:

OUR WAFER SUPPLY COULD BE INTERRUPTED OR REDUCED AND RESULT IN A SHORTAGE OF FINISHED PRODUCTS AVAILABLE FOR SALE

We do not manufacture finished silicon wafers. Currently all of our silicon wafers are manufactured by Seiko Epson in Japan, AMD in the United States and UMC in Taiwan. If Seiko Epson, through its U.S. affiliate Epson Electronics America, AMD or UMC significantly interrupts or reduces our wafer supply, our operating results would be adversely affected.

In the past, we have experienced delays in obtaining wafers and in securing supply commitments from our foundries. 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 Seiko Epson, Epson Electronics America, AMD or UMC reduces our supply commitment or increases our 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 for silicon wafers is limited and inelastic, we could be adversely affected by significant industry-wide increases in overall wafer demand or interruptions in wafer supply. Additionally, a future disruption of Seiko Epson's, AMD's or UMC's foundry operations as a result of a fire, earthquake or other natural disaster could disrupt our wafer supply and could have an adverse effect on our operating results.

IF OUR FOUNDRY PARTNERS EXPERIENCE QUALITY OR YIELD PROBLEMS, WE MAY FACE A SHORTAGE OF FINISHED PRODUCTS AVAILABLE FOR SALE

We depend on our foundries to deliver reliable silicon wafers with acceptable yields in a timely manner. As is common in our industry, we have experienced wafer yield problems and delivery delays in the past. If our foundries are unable to produce silicon wafers that meet our specifications, with acceptable yields, for a prolonged period, our operating results could be adversely affected.

Substantially all of our revenue is derived from products based on a specialized silicon wafer manufacturing process technology called E(2)CMOS. The reliable manufacture of high performance E(2)CMOS semiconductor wafers is a complicated and technically demanding process requiring:

- a high degree of technical skill;
- state-of-the-art equipment;
- the absence of defects in the masks used to print circuits on a wafer;
- the elimination of minute impurities and errors in each step of the fabrication process; and
- effective cooperation between the wafer supplier and the circuit designer.

As a result, our foundries may experience difficulties in achieving acceptable quality and yield levels when manufacturing our silicon wafers.

WE MAY BE UNSUCCESSFUL IN DEFINING, DEVELOPING OR SELLING NEW PRODUCTS REQUIRED TO MAINTAIN OR EXPAND OUR BUSINESS

As a semiconductor company, we operate in a dynamic environment marked by rapid product obsolescence. Our future success depends on our ability to introduce new or improved products that meet customer needs while achieving acceptable margins. If we fail to introduce these new products in a timely manner or these products fail to achieve market acceptance, our business and financial condition will be adversely affected.

The introduction of new 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 success of a new product depends on accurate forecasts of long-term market demand and future technology developments.

Our future revenue growth is dependent on market acceptance of our new proprietary ISP product families and the continued market acceptance of our proprietary software development tools. 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; and
- the quality and reliability of the product.

If, due to these or other factors, our new products do not achieve market acceptance, our business and financial condition will be adversely affected.

OUR PRODUCTS MAY NOT BE COMPETITIVE IF WE ARE UNSUCCESSFUL IN MIGRATING OUR MANUFACTURING PROCESSES TO MORE ADVANCED TECHNOLOGIES

In order to develop new products and maintain the competitiveness of existing products, we need to migrate to more advanced wafer manufacturing processes that utilize larger wafer sizes and smaller device geometries. We may also utilize additional foundries. Since we depend upon foundries 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 E(2)CMOS process technologies at the new fabs of Seiko Epson, UMC or future foundries may not be achieved. This could have an adverse effect on our operating results.

IF OUR ASSEMBLY AND TEST SUBCONTRACTORS EXPERIENCE QUALITY OR YIELD PROBLEMS, WE MAY FACE A SHORTAGE OF FINISHED PRODUCTS AVAILABLE FOR SALE

We rely on subcontractors 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. If we experience prolonged quality or yield problems in the future, there could be an adverse effect on our operating results.

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 lead frames used to attach semiconductor devices to the package;

- the elimination of raw material impurities and errors in each step of the process; and

- effective cooperation between the assembly subcontractor and the device manufacturer.

As a result, our subcontractors may experience difficulties in achieving acceptable quality and yield levels when assembling and testing our semiconductor devices.

WE MAY EXPERIENCE UNEXPECTED DIFFICULTIES DUE TO THE INTEGRATION OF VANTIS

We acquired Vantis on June 15, 1999, and at present have completed the integration of this business with our other operations. As a result of this acquisition and subsequent integration, we may incur unexpected disruptions to our ongoing business. These disruptions may have an adverse effect on our operations and financial results. Further, the following specific factors may adversely affect our ability to successfully operate the business of Vantis:

- we may experience unexpected losses of key employees or customers;

- we may experience unexpected costs and discover unexpected liabilities;

- we may not achieve historical levels of revenue growth, cost reduction and profitability improvement; and

- we may not be able to coordinate our new product and process development in a way which enables us to bring new technologies to the market in a timely manner.

In addition, as part of our acquisition of Vantis, we entered into arrangements with Vantis' former parent, AMD, for AMD to provide certain manufacturing support and services. In the event AMD fails to provide these services, or provides such services at a level of quality and timeliness inconsistent with the historical delivery of such services, our ability to successfully operate Vantis will be severely hampered and our business may suffer.

DETERIORATION OF CONDITIONS IN ASIA MAY DISRUPT OUR EXISTING SUPPLY ARRANGEMENTS AND RESULT IN A SHORTAGE OF FINISHED PRODUCTS AVAILABLE FOR SALE

Two of our three silicon wafer suppliers operate fabs located in Asia. Our finished silicon wafers are assembled and tested by independent subcontractors located in Hong Kong, Malaysia, the

Philippines, South Korea, Taiwan and Thailand. A prolonged interruption in our supply from any of these subcontractors could have an adverse effect on our operating results.

Although we have not experienced significant supply interruptions, the economic, financial, social and political situation in Asia has in the past been volatile. Financial difficulties, governmental actions or restrictions, prolonged work stoppages or any other difficulties experienced by our suppliers may disrupt our supply and could have an adverse effect on our operating results.

Our wafer purchases from Seiko Epson are denominated in Japanese yen. The value of the dollar with respect to the yen has fluctuated in the past and may not remain stable in the future. Future substantial deterioration of dollar-yen exchange rates could have an adverse effect on our operating results.

EXPORT SALES ACCOUNT FOR A SUBSTANTIAL PORTION OF OUR REVENUES AND MAY DECLINE IN THE FUTURE DUE TO ECONOMIC AND GOVERNMENTAL UNCERTAINTIES

Our export sales are affected by unique risks frequently associated with foreign economies including:

- changes in local economic conditions;
- exchange rate volatility;
- governmental controls and trade restrictions;
- export license requirements and restrictions on the export of technology;
- political instability;
- changes in tax rates, tariffs or freight rates;
- interruptions in air transportation; and
- difficulties in staffing and managing foreign sales offices.

For example, our export sales have in the past been affected by regional economic crises. Significant changes in the economic climate in the foreign countries where we derive our export sales could have an adverse effect on our operating results.

THE CYCLICAL NATURE OF THE SEMICONDUCTOR INDUSTRY MAY LIMIT OUR ABILITY TO MAINTAIN OR INCREASE REVENUE AND PROFIT LEVELS DURING FUTURE INDUSTRY DOWNTURNS

The semiconductor industry is highly cyclical, to a greater extent than other less dynamic or less technology-driven industries. In the past, our financial performance has been negatively affected by significant downturns in the semiconductor industry as a result of:

- the cyclical nature of the demand for the products of semiconductor customers;
- general reductions in inventory levels by customers;
- excess production capacity; and
- accelerated declines in average selling prices.

If these or other conditions in the semiconductor industry occur in the future, there could be an adverse effect on our operating results.

OUR FUTURE QUARTERLY OPERATING RESULTS MAY FLUCTUATE AND THEREFORE MAY FAIL TO MEET EXPECTATIONS

Our quarterly operating results have fluctuated in the past and may continue to fluctuate in the future. Consequently, our operating results may fail to meet the expectations of analysts and investors. As a result of industry conditions and the following specific factors, our quarterly operating results are more likely to fluctuate and are more difficult to predict than a typical non-technology company of our size and maturity:

- general economic conditions in the countries where we sell our products;
- the timing of our and our competitors' new product introductions;
- product obsolescence;
- the scheduling, rescheduling and cancellation of large orders by our customers;
- the cyclical nature of demand for our customers' products;
- our ability to develop new process technologies and achieve volume production at the new fabs of Seiko Epson, UMC or at other foundries;
- changes in manufacturing yields;
- adverse movements in exchange rates, interest rates or tax rates; and
- the availability of adequate supply commitments from our wafer foundries and assembly and test subcontractors.

As a result of these factors, our past financial results are not necessarily a good predictor of our future results.

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. If we are unable to compete successfully in this environment, our future results will be adversely affected.

The current level of competition in the programmable logic market is high and may increase as our market expands. We currently compete directly with companies that have licensed our products and technology or have developed similar products. We also compete indirectly with numerous semiconductor companies that offer products and solutions based on alternative technologies. These direct and indirect competitors are established multinational semiconductor companies as well as emerging companies. We also may experience significant competition from foreign companies in the future.

WE MAY FAIL TO RETAIN OR ATTRACT THE SPECIALIZED TECHNICAL AND MANAGEMENT PERSONNEL REQUIRED TO SUCCESSFULLY OPERATE OUR BUSINESS

To a greater degree than most non-technology companies or larger technology companies, our future success depends on our ability to attract and retain highly qualified technical and management personnel. As a mid-sized company, we are particularly dependent on a relatively small group of key employees. Competition for skilled technical and management employees is intense within our industry. As a result, we may not be able to retain our existing key technical and management personnel. In addition, we may not be able to attract additional qualified employees in the future. If we are unable to retain existing key employees or are unable to hire new qualified employees, 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. However, we may fail to adequately protect this technology. As a result, we may lose our competitive position or face significant expense to protect or enforce our intellectual property rights.

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 similar technology independently.

Companies in the semiconductor industry vigorously pursue their intellectual property rights. If we become involved in protracted intellectual property disputes or litigation we may utilize substantial financial and management resources, which could have an adverse effect on our operating results.

We may also be subject to future intellectual property claims or judgements. If these were to occur, we may not be able to obtain a license on favorable terms or without our operating results being adversely affected.

OUR STOCK PRICE MAY CONTINUE TO EXPERIENCE LARGE SHORT-TERM FLUCTUATIONS

In recent years, the price of our common stock has fluctuated greatly. These price fluctuations have been rapid and severe and have left investors little time to react. The price of our common stock may continue to fluctuate greatly in the future due to a variety of company specific factors, including:

- quarter to quarter variations in our operating results;
- shortfalls in revenue or earnings from levels expected by securities analysts; and
- announcements of technological innovations or new products by other companies.

ITEM 7. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of March 31, 2000 and December 31, 1999 the Company's investment portfolio consisted of fixed income securities of $213.7 million and $182.1 million respectively. As with all fixed income instruments, these securities are subject to interest rate risk and will decline in value if market interest rates increase. If market rates were to increase immediately and uniformly by 10% from levels as of March 31, 2000 and December 31, 1999, the decline in the fair value of the portfolio would not be material. Further, the Company has the ability to hold its fixed income investments until maturity and, therefore, the Company would not expect to recognize such an adverse impact in income or cash flows.

The Company has international subsidiary and branch operations. Additionally, the majority of the Company's silicon wafer purchases are denominated in Japanese yen. The Company is therefore subject to foreign currency rate exposure. To mitigate rate exposure with respect to yen-denominated wafer purchases, the Company maintains yen-denominated bank accounts and bills its Japanese customers in yen. The yen bank deposits are utilized to hedge yen-denominated wafer purchases against specific and firm wafer purchases. If the foreign currency rates fluctuate by 10% from rates at March 31, 2000 and December 31, 1999, the effect on the company's consolidated financial statements would not be material. However, there can be no assurance that there will not be a material impact in the future.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2000, our principal source of liquidity was $237.8 million of cash and short-term investments, an increase of $23.7 million from the balance of $214.1 million at December 31, 1999. The increase was due primarily to use of cash generated from operations and exercises of stock options. During the first quarter of 2000, we generated approximately $5.2 million of cash

and cash equivalents from our operating activities as compared with $16.1 million during the first quarter of 1999. This change is attributable to non-cash working capital accounts as further described below.

Accounts receivable at March 31, 2000 increased by $25.1 million, or 74%, as compared to the balance at December 31, 1999. This increase was primarily due to the timing of shipments within the quarter and increased revenue levels. Inventories increased by $4.6 million, or 18%, as compared to the balance at December 31, 1999 primarily due to increased production in response to higher revenue levels. Prepaid expenses and other current assets increased by $5.6 million, or 54% as compared to the balance at December 31, 1999 primarily due to an increase in the current portion of wafer supply advances. Current deferred income tax assets increased $6.2 million, or 21%, as compared to the balance at December 31, 1999 primarily due to the increase in deferred income for sales to distributors which is recognized currently for income tax purposes, and to a lesser extent the timing of deductions for certain expenses and allowances. Intangible assets, net, decreased by $21.5 million, or 6% as compared to the balance at December 31, 1999, primarily due to goodwill and other intangibles amortization.

The $3.9 million, or 31% decrease in income taxes payable as compared to the balance at December 31, 1999 is primarily attributable to the timing of tax deductions and payments. Deferred income increased by $9.0 million, or 20%, as compared to the balance at December 31, 1999, due primarily to increased billings to distributors associated with higher revenue levels. Deferred income tax liabilities at March 31, 2000 principally comprise the $57.9 million in taxes provided for the $150.0 million pre-tax gain on appreciation of foundry investments in Taiwan recorded on January 3, 2000 (see Note 10) and $2.9 million provided for the subsequent appreciation of non-restricted foundry shares (see Note 10), offset by $45.4 million in non-current deferred tax assets relating primarily to intangible asset charges. Such deferred tax assets increased by approximately $6.3 million, or 16% as compared to the balance at December 31, 1999, due primarily to the increased cumulative temporary differences for book and tax deduction of intangible assets.

On October 28, 1999, we issued $260 million in 4 3/4% convertible subordinated notes due on November 1, 2006. These notes require that we pay interest semi-annually on May 1 and November 1. Holders of these notes may convert them into shares of our common stock at any time on or before November 1, 2006, at a conversion price of $41.44 per share, subject to adjustment in certain events. Beginning on November 6, 2002 and ending on October 31, 2003, we may redeem the notes in whole or in part at a redemption price of 102.71% of the principal amount. In the subsequent three twelve-month periods, the redemption price declines to 102.04%, 101.36% and 100.68% of principal, respectively. The notes are subordinated in right of payment to all of our senior indebtedness, and are subordinated to all liabilities of our subsidiaries. At March 31, 2000, we had no senior indebtedness and our subsidiaries had $17.2 million of other liabilities. Issuance costs relative to the convertible subordinated notes are included in Other Assets and aggregated approximately $6.9 million and are being amortized to expense over the lives of the notes. Accumulated amortization amounted to approximately $770,000 at March 31, 2000.

Capital expenditures were approximately $8.6 million in the first quarter of 2000. We expect to spend approximately $30 million to $40 million for the fiscal year ending December 31, 2000.

In March 1997, we entered into an advance payment production agreement with Seiko Epson and its affiliated U.S. distributor, Epson Electronics America, under which we agreed to advance approximately $85 million, payable upon completion of specific milestones, to Seiko Epson to finance construction of an eight-inch sub-micron wafer manufacturing facility. Under the terms of the agreement, the advance is to be repaid with semiconductor wafers over a multi-year period. The agreement calls for wafers to be supplied by Seiko Epson through Epson Electronics America, pursuant to purchase agreements with Epson Electronics America. We also have an option under this agreement to advance Seiko Epson an additional $60 million for additional wafer supply under similar terms. The first payment pursuant to this agreement, approximately $17.0 million, was made during fiscal 1997. During fiscal 1998, we made two additional payments aggregating approximately $34.2 million. The balance of the advance payment is currently anticipated to be made in future installments.

We entered into a series of agreements with UMC, in September 1995 pursuant to which we agreed to join UMC and several other companies to form a separate Taiwanese company, UICC, for the purpose of building and operating an advanced semiconductor manufacturing facility in Taiwan. Under the terms of the agreements, we invested approximately $49.7 million for an approximate 10% equity interest in UICC and the right to receive a percentage of the facility's wafer production at market prices.

In October 1996, we entered into an agreement with Utek, a public Taiwanese company in the wafer foundry business that became affiliated with the UMC Group in 1998, pursuant to which we agreed to make a series of equity investments in Utek under specific terms. In exchange for these investments we received the right to purchase a percentage of Utek's wafer production. Under this agreement, we invested approximately $17.5 million in three separate installments.

In June 1999, the board of directors of UICC and board of directors of UMC voted in favor of merging UICC and Utek into UMC. These mergers became effective on January 3, 2000 (see note 10). After the mergers we own approximately 61 million shares of UMC common stock and have retained our capacity rights. Due to regulatory restrictions, the majority of our UMC shares may not be sold until July 2000. These regulatory restrictions will gradually expire between July 2000 and January 2004.

In June 1999, as part of our acquisition of Vantis, we entered into a series of agreements with AMD to support the continuing operations of Vantis. AMD has agreed to provide us with finished silicon wafers through September 2003 in quantities based either on a rolling six-month or an annual forecast. We have committed to buy certain minimum quantities of wafers and AMD has committed to supply certain quantities of wafers during this period. Wafers for our products are manufactured in the United States at multiple AMD wafer fabrication facilities. Prices for these wafers will be reviewed and adjusted periodically.

We believe that our existing liquid resources, expected cash generation from operations and existing credit facilities combined with our ability to borrow additional funds will be adequate to meet our operating and capital requirements and obligations for the next 12 months.

In an effort to secure additional wafer supply, we may from time to time consider various financial arrangements including joint ventures, 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. We may in the future seek new or additional sources of funding. 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.

YEAR 2000 COMPLIANCE

During 1999 we completed our planned Year 2000 compliance activities with respect to our products, internal systems, software, equipment and facilities. In aggregate we spent approximately $2.0 million to fund Year 2000 compliance activities and related system and software upgrades. To date, we have not encountered any material Year 2000 problems with respect to our products, internal systems, software, equipment and facilities nor have we encountered any vendor supply disruptions related to Year 2000 problems.

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

11.1 Computation of Net Income Per Share (*)

27 Financial Data Schedule for the first quarter of 2000

(b) No reports on Form 8-K were filed during the first quarter of 2000.

(*) Incorporated by reference to Note 5 to the Consolidated Financial Statements in the Company's quarterly report on Form 10-Q for the first quarter of 2000.

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)

Date: May 15, 2000

By: /s/ Stephen A. Skaggs

Stephen A. Skaggs
Senior Vice President Finance, Chief Financial Officer and Secretary

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3-MOS
DEC-31-2000
JAN-02-2000
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(1,620)
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