
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported)
December 6, 2005

Lattice Semiconductor Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

000-18032
(Commission File Number)

93-0835214
(IRS Employer
Identification No.)

**5555 N. E. Moore Court
Hillsboro, Oregon 97124-6421**
(Address of principal executive offices, including zip code)

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

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into Material Definitive Agreement.

Compensation Arrangements with Committee Chairs

On December 6, 2005, the Board of Directors (the "Board") of Lattice Semiconductor Corporation ("Lattice") approved new compensation arrangements for the chairs of the Audit, Compensation, and Nominating and Governance Committees of the Board. The material terms of the compensation arrangements are described on Exhibit 99.1 filed with this Form 8-K, which is incorporated herein by reference.

Distributions from Executive Deferred Compensation Plan

Pursuant to changes to applicable law, the Board has taken the necessary actions to allow participants in the Lattice Semiconductor Corporation Executive Deferred Compensation Plan (the "EDCP"), including our executive officers, the opportunity to terminate participation in the EDCP and take complete distributions of deferred amounts under the EDCP in 2005.

The form of election to terminate participation in the EDCP is filed as Exhibit 99.2 hereto and is incorporated herein by reference.

Acceleration of Stock Option Vesting

On December 6, 2005, the Board accelerated the vesting of all stock options granted to employees, including executive officers, under Lattice's 1996 Stock Incentive Plan and 2001 Stock Plan that have exercise prices greater than or equal to \$7.25 per share. In connection with the accelerated vesting, the stock option agreements with Lattice's executive officers will be amended to provide that upon exercise of any stock options subject to the accelerated vesting, the

shares issued upon exercise will not be transferable until the earlier of (i) the date the accelerated options would have otherwise vested in accordance with the terms of the original stock option agreement and (ii) the date the executive ceases to be an employee of Lattice (for options granted under the terms of the 1996 Stock Incentive Plan) or an employee or consultant to Lattice (for options granted under the terms of the 2001 Stock Plan). The amended option agreements will require that any shares issued upon exercise of accelerated options will be held in escrow until the aforementioned transfer restrictions lapse.

The foregoing summary of the amendments to the option agreements is qualified in its entirety by the text of the amendments to the option agreements, the form of which is filed as Exhibit 99.3 hereto and which is incorporated herein by reference.

2006 Executive Bonus Plan

On December 6, 2005, the Compensation Committee (the “Compensation Committee”) and the Board of Lattice approved the 2006 Executive Bonus Plan (the “Executive Bonus Plan”). Lattice’s Chief Executive Officer and other members of senior management as nominated by the Chief Executive Officer and approved by the Compensation Committee are eligible to participate in the Executive Bonus Plan.

The bonus payout for each participant will be based both on company performance, as measured by achievement of revenue and operating income performance goals approved by the Board prior to the commencement of the plan year, and individual performance. The revenue and operating income goals will be equally weighted in calculating the bonus payout. The Compensation Committee will determine the individual performance of the Chief Executive Officer, and the Chief Executive Officer will determine the individual performance of the other participants. For each participant, a specified minimum achievement against the revenue and operating income objectives is required for any bonus payment.

The Compensation Committee approved a target bonus and a maximum bonus for each participant, based on the participant’s annual salary. The target bonuses for participants range from 20% to 70% of salary, and the maximum bonuses range from 50% to 200% of salary. The target bonus and maximum bonus for each of

Lattice’s executive officers participating in the Executive Bonus Plan are as follows:

<u>Executive Officer</u>	<u>Target Bonus</u>	<u>Maximum Bonus</u>
Stephen A. Skaggs, President and Chief Executive Officer	\$ 280,000	\$ 800,000
Jan Johannessen, Senior Vice President and Chief Financial Officer	\$ 104,838	\$ 262,096
Steve Donovan, Corporate Vice President, Sales	\$ 68,135	\$ 170,336
Martin Baker, Corporate Vice President, General Counsel and Secretary	\$ 67,409	\$ 168,524

Lattice must be profitable on an operating basis (excluding non-cash charges) for participants to qualify for their maximum bonus under the Executive Bonus Plan. If Lattice is not profitable on an operating basis, the maximum possible payment will be limited to the target bonus. The target aggregate bonus for all participants under the Executive Bonus Plan is approximately \$1.2 million, and the maximum aggregate bonus amount payable to all participants under the Executive Bonus Plan is approximately \$3.2 million.

The foregoing summary of the Executive Bonus Plan is qualified in its entirety by the text of the Executive Bonus Plan, which is filed as Exhibit 99.4 hereto and is incorporated herein by reference.

Voluntary Separation Program – Separation Agreement

On December 9, 2005, Lattice entered into a Separation Agreement (the “Separation Agreement”) with Frank Barone, Lattice’s Corporate Vice President, Product Operations. The Separation Agreement was entered into in connection with Lattice’s voluntary separation program, which was instituted as part of Lattice’s previously announced corporate restructuring. The voluntary separation program is available to all Lattice domestic employees whose age plus years of service equals or exceeds 71 years. Under the terms of the Separation Agreement, Mr. Barone’s employment will terminate on January 1, 2006. He will be entitled to receive a cash payment of \$242,019, less applicable withholding taxes, which is equivalent to nine months of his current salary. Lattice will pay a portion of the COBRA premium equal to Lattice’s coverage of the regularly monthly premiums pursuant to Lattice’s medical, dental and other health insurance plans until the earlier of (i) December 31, 2006 and (ii) the date he obtains replacement coverage from a new employer. Finally, Mr. Barone agreed to a general release of any claims he may have against Lattice.

The foregoing summary of the Separation Agreement is qualified in its entirety by the text of the Separation Agreement, which is filed as Exhibit 99.5 hereto and is incorporated herein by reference.

Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

On December 6, 2005, the Board appointed Balaji Krishnamurthy and Gerhard Parker as members of the Board. Mr. Krishnamurthy will be a Class II Director and serve on the Compensation Committee. Mr. Parker will be a Class III Director and serve on the Audit Committee.

As described in Item 1.01 above, on December 9, 2005, Frank Barone, Lattice’s Corporate Vice President, Product Operations, entered into a Separation Agreement with Lattice which provides for the termination of his employment with Lattice on January 1, 2006. Mr. Barone’s termination is in connection with Lattice’s voluntary separation program, which was instituted as part of Lattice’s previously announced corporate restructuring.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Description of Compensation Arrangements with Committee Chairs
99.2	Executive Deferred Compensation Plan – Termination of Participation Form
99.3	Form of Amendment to Option Agreements of Executive Officers
99.4	2006 Executive Bonus Plan
99.5	Separation Agreement with Frank Barone dated December 9, 2005

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SIGNATURE

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 hereunto duly authorized.

LATTICE SEMICONDUCTOR CORPORATION

Date: December 9, 2005

By: /s/ Jan Johannessen
Jan Johannessen
Senior Vice President and
Chief Financial Officer

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EXHIBIT INDEX

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DESCRIPTION OF COMPENSATION ARRANGEMENTS WITH COMMITTEE CHAIRS

On December 6, 2005, the Board of Directors (the "Board") of Lattice Semiconductor Corporation ("Lattice") approved the following annual retainer to be paid to the chairs of the standing committees of the Board:

<u>Committee</u>	<u>Annual Retainer</u>
Audit Committee	\$ 10,000
Compensation Committee	\$ 5,000
Nominating and Governance Committee	\$ 5,000

The annual retainer to be paid to the committee chairs is in addition to the annual retainer of \$20,000 paid to outside directors of Lattice and the monthly retainer of \$5,000 paid to the Chairman of the Board of Lattice. Each outside director also receives \$1,500 for each Board meeting and \$1,000 for each committee meeting the director attends in person, and \$750 for each Board and committee meeting the director attends telephonically.

LATTICE SEMICONDUCTOR CORPORATION

**EXECUTIVE DEFERRED COMPENSATION PLAN
Termination of Participation Form**

Participant Name (*please print*)

Participant Social Security Number

ELECTION TO TERMINATE PARTICIPATION

o I hereby elect to terminate participation in the Executive Deferred Compensation Plan (the "Plan") and receive a complete distribution of my Plan account balance by December 31, 2005.

ACKNOWLEDGEMENTS AND PARTICIPANT SIGNATURE

1. I understand that the election made herein shall be irrevocable and effective as soon as administratively practicable following the Company's receipt of a completed Termination of Participation Form, provided that such election shall be effective no later than December 31, 2005.
2. I understand that any elections I made to defer 2005 salary and/or bonus for the 2005 Plan Year shall remain in effect and applicable deferrals shall continue until such time as this election is effective. However, once this election becomes effective, I understand and agree that all such deferral elections shall terminate.
3. I understand that the full amount credited to my account under the Plan shall be distributed to me in the form of a single lump sum, with any Lattice shares to be distributed in kind, notwithstanding any distribution election(s) I may have made under the Plan and any applicable agreement, to the contrary.
4. I understand that all amounts distributed to me as a result of this election shall be included in my gross income for 2005 and will be subject to applicable income and employment tax withholding.
5. By signing this election form, I authorize my termination of participation in the Plan.

Participant Signature

Date

LATTICE SEMICONDUCTOR CORPORATION
**1996 STOCK INCENTIVE PLAN AS AMENDED, AND
 THE 2001 STOCK PLAN AS AMENDED**
AMENDMENT TO STOCK OPTION AGREEMENTS

The outstanding stock option agreements (the "Prior Agreements") under the Lattice Semiconductor Corporation (the "Company") 1996 Stock Incentive Plan as amended and the Company 2001 Stock Plan as amended (the "Plans") for options with an exercise price equal to or in excess of \$7.25 by and between the Company and [Executive Name] (the "Optionee") are hereby amended as follows:

Unless otherwise defined herein, initially capitalized terms shall have the same meanings as defined in the applicable Plan.

1. Vesting Acceleration. The vesting provisions set forth in the Prior Agreements are amended to include the following:

"Notwithstanding anything in this Agreement to the contrary, all invested options with an exercise price equal to or greater than \$7.25 (the "Accelerated Options") shall become vested and exercisable as of **December 31, 2005**."

2. Transfer Restrictions. Except for the escrow described in Section 3, none of the shares subject to the Accelerated Options (the "Restricted Shares") nor any beneficial interest therein may be transferred, encumbered or otherwise disposed of in any way (other than by will or pursuant to the laws of descent and distribution) until the dates upon which the Accelerated Options would have otherwise vested in accordance with the vesting schedule in effect under the Prior Agreements; provided, however, that the Restricted Shares shall be released from this transfer restriction in full earlier upon the Optionee's ceasing to be an employee (with respect to options granted under the 1996 Stock Incentive Plan as amended) or ceasing to be an employee or otherwise in service to the Company as a consultant (with respect to options granted under the 2001 Stock Plan as amended). If Optionee remains in service with the Company as an employee (with respect to options granted under the 1996 Stock Incentive Plan as amended) or remains in service with the Company as an employee or consultant (with respect to options granted under the 2001 Stock Plan as amended), then on the vesting dates specified in the Prior Agreements, that number of Restricted Shares that would have vested on such dates under the Prior Agreements shall be released from this transfer restriction.

3. Escrow of Restricted Shares.

(a) To ensure that the transfer restrictions of this Amendment are enforced, upon exercise of an Accelerated Option, the Company shall deliver and deposit with the Corporate Secretary of the Company (the "Escrow Holder") the share certificates representing the Restricted Shares. The Restricted Shares and stock assignment shall be held by the Escrow Holder, pursuant to the Joint Escrow Instructions of the Company and Optionee attached hereto as Exhibit A, until such time as the transfer restrictions expire.

(b) The Escrow Holder shall not be liable for any act it may do or omit to do with respect to holding the Restricted Shares in escrow while acting in good faith and in the exercise of its judgment.

(c) When all or a portion of the Restricted Shares have been released from the transfer restriction, upon request the Escrow Holder shall deliver the certificate to the Optionee or to the Optionee's brokerage account.

(d) Subject to the terms hereof, the Optionee shall have all the rights of a shareholder with respect to the Restricted Shares while they are held in escrow, including without limitation, the right to vote the Restricted Shares and to receive any cash dividends declared thereon. If, from time to time during the period of transfer restriction, there is (i) any stock dividend, stock split or other change in the Restricted Shares, or (ii) any merger or sale of all or substantially all of the assets or other acquisition of the Company, any and all new, substituted or additional securities to which the Optionee is entitled by reason of the Optionee's ownership of the Restricted Shares shall be immediately subject to this escrow, deposited with the Escrow Holder and included thereafter as "Restricted Shares" for purposes of this Amendment.

4. Legends. The share certificate evidencing the Restricted Shares, if any, issued hereunder shall be endorsed with the following legend (in addition to any legend required under applicable state securities laws):

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS UPON TRANSFER AS SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE SHAREHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY."

5. Option Agreements. To the extent not expressly amended hereby, the Prior Agreements remain in full force and effect.

6. Entire Agreement. This Amendment, taken together with the Prior Agreements (to the extent not expressly amended hereby) and any duly authorized written or electronic agreement entered into by and between the Company and the Optionee relating to the stock option grants evidenced by the Prior Agreements, represent the entire agreement of the parties, supersede any and all previous contracts, arrangements or understandings between the parties

with respect to the stock option grants evidenced by the Prior Agreements, and may be amended at any time only by mutual written agreement of the parties hereto.

By _____

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EXHIBIT A

JOINT ESCROW INSTRUCTIONS

Corporate Secretary
Lattice Semiconductor Corporation
5555 N.E. Moore Court
Hillsboro, Oregon 97124-6421

Dear _____ :

1. As Escrow Agent for both Lattice Semiconductor Corporation, a Delaware corporation (the "Company"), and the undersigned purchaser of stock of the Company (the "Purchaser"), you are hereby authorized and directed to hold the documents delivered to you pursuant to the terms of that certain Amended Stock Option Agreement ("Agreement") between the Company and the undersigned, in accordance with the following instructions:

2. Purchaser irrevocably authorizes the Company to deposit with you any certificates evidencing shares of stock to be held by you hereunder and any additions and substitutions to said shares as defined in the Agreement. Purchaser does hereby irrevocably constitute and appoint you as Purchaser's attorney-in-fact and agent for the term of this escrow to execute with respect to such securities all documents necessary or appropriate to make such securities negotiable and to complete any transaction herein contemplated, including but not limited to the filing with any applicable state blue sky authority of any required applications for consent to, or notice of transfer of, the securities. Subject to the provisions of this paragraph 2, Purchaser shall exercise all rights and privileges of a shareholder of the Company while the stock is held by you.

3. Upon written or e-mail request of the Purchaser, you shall deliver to Purchaser or his or her brokerage account a certificate or certificates representing so many shares of stock as are not then subject to the transfer restrictions set forth in the Agreement. Within 10 business days after Purchaser ceases to be an employee of the Company or a member of its Board of Directors, you shall deliver to Purchaser or his or her brokerage account a certificate or certificates representing the balance of shares held pursuant to the Agreement.

4. If at the time of termination of this escrow you should have in your possession any documents, securities, or other property belonging to Purchaser, you shall deliver all of the same to Purchaser and shall be discharged of all further obligations hereunder.

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5. Your duties hereunder may be altered, amended, modified or revoked only by a writing signed by all of the parties hereto.

6. You shall be obligated only for the performance of such duties as are specifically set forth herein and may rely and shall be protected in relying or refraining from acting on any instrument reasonably believed by you to be genuine and to have been signed or presented by the proper party or parties. You shall not be personally liable for any act you may do or omit to do hereunder as Escrow Agent or as attorney-in-fact for Purchaser while acting in good faith, and any act done or omitted by you pursuant to the advice of your own attorneys shall be conclusive evidence of such good faith.

7. You are hereby expressly authorized to disregard any and all warnings given by any of the parties hereto or by any other person or corporation, excepting only orders or process of courts of law, and are hereby expressly authorized to comply with and obey orders, judgments or decrees of any court. In case you obey or comply with any such order, judgment or decree, you shall not be liable to any of the parties hereto or to any other person, firm or corporation by reason of such compliance, notwithstanding any such order, judgment or decree being subsequently reversed, modified, annulled, set aside, vacated or found to have been entered without jurisdiction.

8. You shall not be liable in any respect on account of the identity, authorities or rights of the parties executing or delivering or purporting to execute or deliver the Agreement or any documents or papers deposited or called for hereunder.

9. You shall not be liable for the outlawing of any rights under the statute of limitations with respect to these Joint Escrow Instructions or any documents deposited with you.

10. You shall be entitled to employ such legal counsel and other experts as you may deem necessary properly to advise you in connection with your obligations hereunder, may rely upon the advice of such counsel, and may pay such counsel reasonable compensation therefor.

11. Your responsibilities as Escrow Agent hereunder shall terminate if you shall cease to be an officer or agent of the Company or if you shall resign by written notice to each party. In the event of any such termination, the Company shall appoint a successor Escrow Agent.

12. If you reasonably require other or further instruments in connection with these Joint Escrow Instructions or obligations in respect hereto, the necessary parties hereto shall join in furnishing such instruments.

13. It is understood and agreed that should any dispute arise with respect to the delivery and/or ownership or right of possession of the securities held by you hereunder, you are authorized and directed to retain in your possession without liability to anyone all or any part of said securities until such disputes shall have been settled either by mutual written agreement of the parties concerned or by a final order, decree or judgment of a court of competent jurisdiction

after the time for appeal has expired and no appeal has been perfected, but you shall be under no duty whatsoever to institute or defend any such proceedings.

14. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail with postage and fees prepaid, addressed to each of the other parties thereunto entitled at the following addresses or at such other addresses as a party may designate by ten days' advance written notice to each of the other parties hereto.

COMPANY: Lattice Semiconductor Corporation
5555 N.E. Moore Court
Hillsboro, Oregon 97124-6421

PURCHASER:

ESCROW AGENT: Corporate Secretary
Lattice Semiconductor Corporation
5555 N.E. Moore Court
Hillsboro, Oregon 97124-6421

15. By signing these Joint Escrow Instructions, you become a party hereto only for the purpose of said Joint Escrow Instructions; you do not become a party to the Agreement.

16. This instrument shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and permitted assigns.

17. These Joint Escrow Instructions shall be governed by, and construed and enforced in accordance with, the internal substantive laws, but not the choice of law rules, of California.

Very truly yours,

LATTICE SEMICONDUCTOR CORPORATION

By

Title

PURCHASER:

Signature

Print Name

ESCROW AGENT:

Corporate Secretary

2006 EXECUTIVE BONUS PLAN

1. Plan Objectives

- Reward management for achieving stated business objectives
- Build shareholder value
- Provide competitive compensation for senior management

2. Administration

The Compensation Committee will administer the Executive Bonus Plan.

3. Eligibility

Senior management as nominated by the CEO and approved by the Compensation Committee. Participation in the Plan in one year does not imply continued Plan participation in any subsequent year. Participants must be employed at the time of payment to receive payment under the Plan.

Eligible senior management hired during the Plan year will have their Target Incentive Percentage and Maximum Incentive Percentage set based upon their level in the organization (see item 5. below). The incentive payout will be pro-rated from the day they are eligible to participate. Employees hired after September 30, 2006 are not eligible for incentive payout for the 2006 Plan year.

4. Term

12 months, commencing on January 1, 2006 and ending on December 31, 2006

5. Target Incentive Payout

The Compensation Committee will approve a Target Incentive Percentage and a Maximum Incentive Percentage for each participant. The incentives will be expressed as a percentage of annual base salary (ABS) as of January 1, of the Plan year. Attached, as Exhibit A, is a schedule of the Target and Maximum Incentive Percentages for each 2006 Plan participant.

6. Incentive Determination

Company Performance (CP): the target payout will be based on achievement of the 2006 Revenue and Operating Income performance goals of the Company as approved by the Board prior to the Plan year. The Revenue goal and the Operating Income goal will each comprise 50% of the Incentive Award. The following formula will determine the Incentive Award for Company performance:

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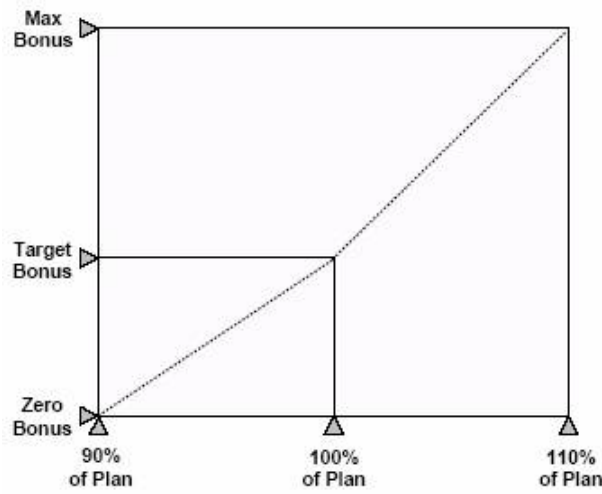
1

Revenue % of Annual Plan	CP-R Incentive Award
Less than 90%	No payout
90%-100%	0 - Target
100%-110%	Target - Max.
Above 110%	Max.

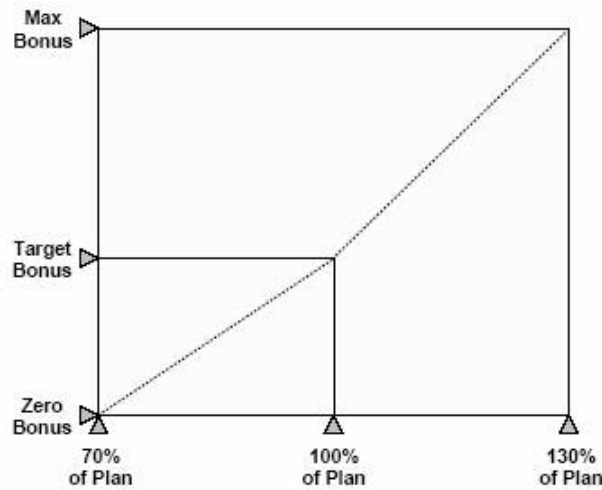
Op. Income % of Annual Plan	CP-OI Incentive Award
Less than 70%	No payout
70%-100%	0 - Target
100%-130%	Target - Max.
Above 130%	Max.

The following two graphs illustrate the calculation of the Incentive Award as a function of performance to the 2006 Revenue Plan and to Operating Income Plan:

**PERFORMANCE TO
2006 REVENUE PLAN**



**PERFORMANCE TO
2006 OP. INCOME PLAN**



Individual Performance (IP): the bonus payout will further be based on individual performance. The total bonus pool for Plan participants will be determined by the above calculation.

The bonus to each Plan participants will further be adjusted based on Individual Performance. The adjustment for Individual performance can be in the range of 0.67 to 1.33 of the bonus payout as determined by achievement of Revenue and Operating Income Plan above. However, the sum of all bonus amounts for all Plan participants cannot exceed the total amount based on Revenue and Operating performance to Plan as determined above.

The Compensation Committee will determine the performance of the CEO, while the CEO will determine the performance of the other participants in the Plan. The determination of individual performance is discretionary.

Total payment for each participant under the Plan will be calculated as follows:

$$(CP-R + CP-OI) \times IP = \text{Total Incentive Award (TIA)}$$

The sum of all TIAs for all participants cannot exceed (CP-R + CP-OI).

The Company must be profitable on an operating basis (excluding non-cash charges) for participants to qualify for their maximum payout under the Plan. If the Company is not profitable on an operating basis, the maximum possible payout will be limited to the target bonus.

7. Payment

Payments under the Plan will be made as soon as possible following the approval of the annual audited statements. The Compensation Committee must approve all executive officer incentive awards prior to payment.

Payout Examples

Example I (100% Performance to Plan)

Revenue:	100% of Plan
Operating Income:	100% of Plan
Individual Performance:	100%

Annual Salary:	\$230,000
Target Incentive Percentage:	30% of ABS or \$69,000
Max. Incentive Percentage:	75% of ABS or \$172,500

Payout: $[(\text{Target} \times 50\%) + (\text{Target} \times 50\%)] \times 1.0 = \boxed{\$69,000}$ (Target Payout)

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Example II (superb performance)

Revenue:	110% of Plan
Operating Income:	130% of Plan
Individual Performance:	130% of Plan
Annual Salary:	\$400,000
Target Incentive Percentage:	70% of ABS or \$280,000
Max. Incentive Percentage:	200% of ABS or \$800,000

Payout: $[(\text{Max.} \times 50\%) + (\text{Max.} \times 50\%)] \times 1.3 = \$1,040,000$, which exceeds the max. payout.
 Actual payout is Max: $\boxed{\$800,000}$

Example III (poor performance)

Revenue:	85% of Plan
Operating Income:	75% of Plan
Individual Performance:	80% of Plan
Annual Salary:	\$230,000
Target Incentive Percentage:	30% of ABS or \$69,000
Max. Incentive Percentage:	75% of ABS or \$172,500

Payout: $[(\text{Target} \times 50\% \times 0) + (\text{Target} \times 50\% \times 5/30)] \times 0.8 = \boxed{\$4,600}$

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VSP SEPARATION AGREEMENT

This VSP Separation Agreement (“Agreement”) is made by and between Lattice Semiconductor Corporation and **Frank Barone** (“Employee”). Lattice Semiconductor Corporation, together with its divisions, subsidiaries, parents, predecessor and successor corporations, officers, agents, and employees, is hereafter referred to as the “Company.”

WHEREAS, Employee is employed by the Company;

WHEREAS, the Company and Employee have entered into a Confidential Information Nondisclosure Agreement (“Nondisclosure Agreement”), a Proprietary Rights Agreement, and potentially one or more Stock Option Agreements; and

WHEREAS, the Company has established a Voluntary Separation Program (“VSP”) wherein eligible employees may voluntarily terminate their employment at the Company with additional severance pay and benefits for a defined period of time;

WHEREAS, Employee is eligible for and has chosen to participate in the VSP;

NOW THEREFORE, in consideration of the mutual promises made herein, the Company and Employee (collectively referred to as “the Parties”) hereby agree as follows:

1. **Termination.** Employee’s employment by the Company will terminate on January 1, 2006 (“Termination Date”). Employee agrees to cooperate with the Company to assist in the transfer of Employee’s responsibilities, which is expected to continue through the Termination Date. Once Employee’s responsibilities have been transferred, any official contact between Employee and Company employees, customers, distributors, or representatives will be initiated by the Company, except as may be necessary to carry out this Agreement.

2. **Consideration.**

- (a) **Cash Payment:** The Company agrees to pay Employee a lump sum of two hundred forty-two thousand nineteen dollars (\$242,019.00), less applicable withholding, by January 9, 2006.
- (b) **Stock Options:** Outstanding Lattice options will be exercisable only to the extent vested on the Termination Date in accordance with the option terms.
- (c) **Benefits:** Until the Termination Date, Employee will continue to receive Employee’s normal benefits, in accordance with and subject to benefit plan provisions.

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(d) **COBRA:** The Company will cover a portion of the COBRA premium equal to the Company coverage of regular monthly premiums pursuant to the Company’s medical, dental, and other health insurance plans through December 31, 2006, or when Employee obtains replacement health insurance coverage from a new employer, whichever occurs first (the “Medical Benefits End Date”) provided that Employee timely pays the portion of the COBRA premium equal to the employee and dependent portion of the regular monthly premiums. The Company will also cover the additional administrative portion of the COBRA premium until the Medical Benefits End Date. Following the Medical Benefits End Date, Employee and Employee’s dependents will be responsible for timely payment of the entire COBRA premium at their own expense, as provided by applicable law and regulations. Employee and Employee’s dependents are responsible for timely election of continuation of coverage in accordance with plan procedures and COBRA requirements.

(e) **Vested Benefit Payout:** Employee will be paid benefits under the 401(k) Employee Savings Plan, the Flex Accounts, the Employee Stock Purchase Plan, and other Company benefit plans, to the extent applicable, in accordance with the terms of such Plans.

(f) **Outplacement:** The Company will provide outplacement assistance through its consultant for a period of sixty (60) days. Employee must begin such assistance prior to January 16, 2006, and prior to Employee beginning a new job.

Employee will not be eligible for any bonuses, profit sharing, or other payments except as specifically provided herein.

3. **Confidential Information.** Employee will continue to maintain the confidentiality of all confidential and proprietary information of the Company and will continue to comply with the terms and conditions of the Nondisclosure Agreement between Employee and the Company. Employee will return all the Company property and confidential and proprietary information in Employee’s possession to the Company on the Termination Date.

4. **Payment of Salary.** Accrued vacation will be paid to Employee in accordance with normal Company practices upon Termination. Employee expressly acknowledges and agrees that Company will, if applicable, offset Employee’s final paycheck by the amount of any borrowed vacation time that Employee has used in advance of accruing such time. Employee acknowledges and represents that subject to the foregoing, the Company has paid all salary, wages, bonuses, vacation accruals, commissions, expense reimbursements, and any and all other compensation or benefits due to Employee.

5. **WARN Notice.** The federal Worker Adjustment and Retraining Notification Act (“WARN”) and other laws have established guidelines for notifying employees of certain plant closings or mass layoffs. Although the Company does not believe that the VSP is covered by those laws, to the extent such coverage may be determined to exist, this Agreement shall serve as

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Employee’s WARN or state law notice of layoff. There are no “bumping rights” available to Employee.

6. 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 behalf of Employee, and Employee's respective heirs, family members, executors, and assigns, hereby fully and forever releases and discharges the Company from any and all claims arising out of or relating to Employee's employment by the Company and the termination of Employee's employment. Employee further covenants and agrees not to sue or otherwise institute or cause to be instituted any legal or administrative proceedings against the Company. This general release of claims includes, without limitation:
- (a) any and all claims relating to or arising from Employee's employment relationship with the Company and the termination of that relationship;
 - (b) any and all claims relating to, or arising from, Employee's right to purchase, or actual purchase of shares of stock of the Company, including, without limitation, 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 for wrongful discharge of 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, the Employee Retirement Income Security Act of 1974, the Family Medical Leave Act, and The Worker Adjustment and Retraining Notification Act, the Older Worker Benefit Protection Act, and all amendments to each such Act as well as the regulations issued thereunder;
 - (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 attorneys' fees and costs.

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Employee agrees that the release set forth in this section is and will remain in effect in all respects as a complete general release as to the matters released. This release extends to all claims, known or unknown, up to and including the date of this Agreement. This release does not extend to any claim for breach of the terms of this Agreement. Employee acknowledges and agrees that any breach of this paragraph will constitute a material breach of the Agreement and in the case of a breach by Employee, will entitle the Company immediately to recover the monetary consideration discussed in paragraph 2 above. Employee will also be responsible to the Company for all costs, attorneys' fees, and any and all damages incurred by the Company in (a) enforcing the obligation, including the bringing of any action to recover the monetary consideration, and (b) defending against a claim or action brought or pursued by Employee in violation of this provision.

7. Acknowledgment of Waiver of Claims under ADEA. Employee acknowledges that Employee is waiving and releasing any rights Employee may have under the Age Discrimination in Employment Act of 1967 ("ADEA") and that this waiver and release is knowing and voluntary. Employee acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Employee was already entitled. Employee further acknowledges that Employee has been, and hereby is, advised in writing that (a) Employee should consult with an attorney prior to executing this waiver and release; (b) Employee has at least forty-five (45) days within which to consider this waiver and release; (c) Employee has seven (7) days following Employee's execution of this waiver and release to revoke the waiver and release; and (d) this waiver and release is not effective until the revocation period has expired. Any revocation should be in writing and delivered to Martin Baker, Vice President and General Counsel, at Lattice Semiconductor Corporation, 5555 NE Moore Court, Hillsboro, Oregon, 97124 by close of business on the seventh day from the date that Employee signs this waiver and release.
8. Other Employees. Employee acknowledges the receipt, pursuant to applicable law, of information concerning the class or group of employees who are being offered severance benefits under terms that are the same or similar to those provided to Employee, including their job titles and ages. Also included are job titles and ages of those employees in the relevant class or group who were not selected. **This information is attached to this Agreement as Exhibits 1 and 2.**
9. No Other Claims. Employee acknowledges that, to the extent that Employee may be subject to California Civil Code Section 1542, Employee expressly waives any rights under this statute. California Civil Code Section 1542 provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

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Employee, being aware of said principle, agrees to expressly waive any rights Employee may have thereunder, as well as under any other statute or common law principles of similar effect. Employee agrees that this release extends to all claims, whether known or unknown.

10. No Pending or Future Lawsuits. Employee represents that Employee has no lawsuits, claims, or actions pending in Employee's name, or on behalf of any other person or entity, against the Company or any other person or entity referred to herein. Employee also represents that Employee does not intend to bring any claims on Employee's own behalf or on behalf of any other person or entity against the Company or any other person or entity referred to herein.

11. Application for Employment. Employee understands and agrees that Employee has no contractual or other legal right to reinstatement or reemployment with the Company.
12. Non-Disparagement. Employee agrees to refrain from any defamation, libel, or slander of the Company and its respective officers, directors, employees, investors, shareholders, administrators, affiliates, divisions, subsidiaries, predecessor and successor companies, and assigns and from tortious interference with the contracts and relationships of the Company and its respective officers, directors, employees, investors, shareholders, administrators, affiliates, divisions, subsidiaries, predecessor and successor companies, and assigns.
13. Non-Solicitation. Employee acknowledges that as an employee of the Company Employee has had access to information concerning the Company's critical business strategies, engineering and technology development plans, competitive analyses, organizational structure, and/or performance evaluations of the Company's employees. Employee agrees that, for a period of one (1) year, Employee will not solicit any employee of the Company to leave the Company or to work for a third party.
14. Arbitration. The Parties agree that any and all disputes arising out of the terms of this Agreement, their interpretation, or any matters relating to Employee's employment with the Company, which are not resolved through informal means, shall be resolved exclusively through binding arbitration, to the extent permitted by law, in Multnomah County, Oregon, before the American Arbitration Association under its National Rules for the Resolution of Employment Disputes, which are available at www.adr.org. The Parties 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.
15. No Representations. Employee represents that Employee has had the opportunity to consult with an attorney, and has carefully read and understands the scope and effect of the provisions of this Agreement. Neither party has relied upon any representations or statements made by the other party hereto which are not specifically set forth in this Agreement.
16. Severability. In the event that any provision hereof becomes or is declared by an arbitrator or court of competent jurisdiction to be illegal, unenforceable, or void, this Agreement will continue in full force and effect without said provision.

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17. Entire Agreement. This Agreement represents the entire agreement and understanding between the Company and Employee concerning Employee's separation from the Company, and supersedes and replaces any and all prior agreements and understandings concerning Employee's relationship with the Company and his compensation by the Company. The Confidential Information Non-Disclosure Agreement and the Proprietary Rights Agreement remain in full force and effect and are incorporated herein as material terms of this Agreement.
18. No Oral Modification. This Agreement may only be amended in writing signed by Employee and an executive officer of the Company.
19. Governing Law. THIS AGREEMENT IS SUBJECT TO AND SHOULD BE CONSTRUED UNDER THE INTERNAL SUBSTANTIVE LAWS, BUT NOT THE CHOICE OF LAW RULES, OF THE STATE OF OREGON.
20. Effective Date. This Agreement is effective eight days after it has been signed by both Parties ("Effective Date").
21. Counterparts. This Agreement may be executed in counterparts, and each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement on the part of each of the undersigned.
22. Voluntary Execution of Agreement. This Agreement is executed voluntarily and without any duress or undue influence on the part or behalf of the Parties hereto. Employee acknowledges that he or she has read this Agreement and understands that it contains a general release of legal claims that Employee may have.

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IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

COMPANY:
LATTICE SEMICONDUCTOR CORPORATION

By: /s/ Terry Dols
Terry Dols, Vice President, Human Resources

Date: December 9, 2006

EMPLOYEE:

/s/ Frank Barone
Frank Barone

Date: December 9, 2006

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In the case of a severance benefits program offered to a group of employees, we are required to provide you with certain information including: (1) the job titles and ages of employees eligible or selected for the program; and (2) the job titles and ages of employees either not eligible or not selected. PLEASE SEE EXHIBITS 1 AND 2, ATTACHED, FOR THIS INFORMATION.