

**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 5, 2006**

**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))

**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

(e) 2007 Executive Variable Compensation Plan

On December 5, 2006, the Compensation Committee (the "Committee") of Lattice Semiconductor Corporation (the "Company"), having obtained the approval of the independent members of the Company's Board of Directors with respect to the Chief Executive Officer, approved the 2007 Executive Variable Compensation Plan (the "Plan"). The Company's Chief Executive Officer, executive officers, and other members of senior management, including vice presidents and director-level employees as nominated by the Chief Executive Officer and approved by the Compensation Committee, are eligible to participate in the Plan.

The payout for each participant will be based both on the Company's 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 payouts under the Plan. 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 payout.

The Compensation Committee approved a target payout and a maximum payout for each participant, based on the participant's annual salary. The target payouts range from 7.5% of salary for certain director-level employees to 70% of salary for the CEO. The maximum payouts are two times the target payouts for director-level employees and 2.5 times the target payouts for Vice Presidents. The CEO's maximum payout is limited to 200% of his salary. The target payout and maximum payout for each of Lattice's executive officers participating in the Plan is as follows:

Executive Officer

Target Payout

Maximum Payout

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 R. Baker, Corporate Vice President, General Counsel and Secretary	\$	67,409	\$	168,524

If Lattice is not profitable on an operating basis (non-GAAP, excluding intangible asset amortization and other Board-approved extraordinary expense items), there will be no payout under the Plan. The aggregate target payouts for all participants under the Plan total approximately \$1.9 million, and the aggregate maximum amounts payable to all participants under the Plan total approximately \$4.6 million.

The foregoing summary of the Plan is qualified in its entirety by the text of the 2007 Executive Variable Compensation Plan, which is filed as Exhibit 99.1 hereto and is incorporated herein by reference.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	2007 Executive Variable Compensation Plan

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**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 hereunto duly authorized.

**LATTICE SEMICONDUCTOR CORPORATION**

Date: December 6, 2006

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

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**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Description</u>
99.1	2007 Executive Variable Compensation Plan

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**EXECUTIVE VARIABLE COMPENSATION PLAN  
2007**

**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 Variable Compensation 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, 2007 are not eligible for incentive payout for the 2007 Plan year.

**4. Term**

Lattice fiscal year 2007, commencing on December 31, 2006 and ending on December 29, 2007.

**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 the first day of the Plan year.

**6. Incentive Determination**

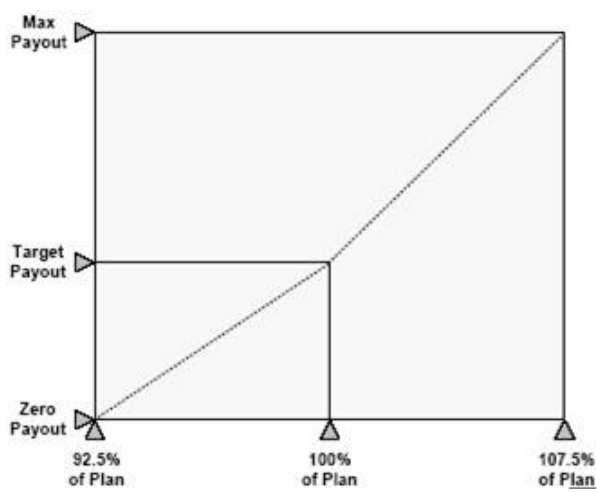
Company Performance (CP): the target payout will be based on achievement of the 2007 Revenue and non-GAAP Operating Income ("OI") performance goals of the Company as approved by the Board prior to the Plan year. Non-GAAP Operating Income is defined as GAAP Operating Income less: Intangible Asset Amortization and any other board approved, extraordinary expense items. The Revenue goal and the non-GAAP 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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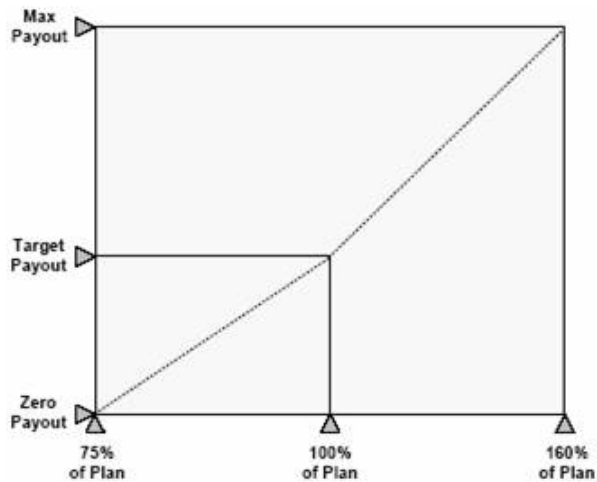
<u>Revenue % of Annual Plan</u>	<u>CP-R Incentive Award</u>
Less than 92.5%	No payout
92.5%-100%	0 - Target
100%-107.5%	Target - Max.
Above 107.5%	Max.
<u>OI (non-GAAP) % of Annual Plan</u>	<u>CP-OI (non-GAAP) Incentive Award</u>
Less than 75%	No payout
75%-100%	0 - Target
100%-160%	Target - Max.
Above 160%	Max.

The following two graphs illustrate the calculation of the Incentive Award as a function of performance to the 2007 Revenue Plan and to the non-GAAP Operating Income Plan:

**PERFORMANCE TO  
2007 REVENUE PLAN**



PERFORMANCE TO  
2007 OI Plan (non-GAAP)



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

The variable compensation to each Plan participant 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 variable compensation payout as determined by achievement of Revenue and Operating Income Plan above. However, the sum of all variable compensation 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).

If the Company is not profitable on an operating basis (non-GAAP excluding intangible asset amortization and other board approved, extraordinary expense items), there will be no payout under this Plan.

**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.

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**Payout Examples**

**Example I (100% Performance to Plan)**

Revenue:	100% of Plan
Operating Income (OI) – non-GAAP:	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:**  $[(\text{Target} \times 50\%) + (\text{Target} \times 50\%)] \times 1.0 = \mathbf{\$69,000}$  (Target Payout)

**Example II** (superb performance)

Revenue:	107.5% of Plan
Operating Income (OI) – non-GAAP:	160% 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: **\$800,000**

**Example III** (poor performance)

Revenue:	85% of Plan
Operating Income (OI) – non-GAAP:	70% 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:**  $[(\text{Target} \times 50\% \times 0) + (\text{Target} \times 50\% \times 0)] \times 0.8 = \mathbf{\$0}$