

OLD PSG WIND-DOWN LTD.  
Form SC 13D/A  
April 07, 2017

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

---

**SCHEDULE 13D**

**Under the Securities Exchange Act of 1934  
(Amendment No. 5)\***

---

**Old PSG Wind-down Ltd.**

(Name of Issuer)

**Common Shares, no par value**

(Title of Class of Securities)

**71377G100**

(CUSIP Number)

**A.J. Silber**

**Brookfield Asset Management Inc.**

**Brookfield Place**

**181 Bay Street, Suite 300**

**Toronto, Ontario M5J 2T3**

**(416) 363-9491**

Edgar Filing: OLD PSG WIND-DOWN LTD. - Form SC 13D/A

with copies to:

**Joshua N. Korff, Esq.**

**Elazar Guttman, Esq.**

**Ross M. Leff, Esq.**

**Kirkland & Ellis LLP**

**601 Lexington Avenue**

**New York, NY 10022**

**(212) 446-4800**

(Name, Address and Telephone Number of Person  
Authorized to Receive Notices and Communications)

**April 6, 2017**

(Date of Event Which Requires Filing of this Statement)

---

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. o

**Note:** Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment contain information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 ( Act ) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

---

Edgar Filing: OLD PSG WIND-DOWN LTD. - Form SC 13D/A

CUSIP No. 71377G100

- 1 Names of Reporting Persons:  
251091708 Delaware LP
- 2 Check the Appropriate Box if a Member of a Group (See Instructions)  
Not Applicable  
(a)   
(b)
- 3 SEC Use Only
- 4 Source of Funds (See Instructions):  
WC
- 5 Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)   
Not Applicable
- 6 Citizenship or Place of Organization:  
Delaware
- |   |    |                                |
|---|----|--------------------------------|
| Number of<br>Shares<br>Beneficially<br>Owned by<br>Each<br>Reporting<br>Person With | 7  | Sole Voting Power:<br>0        |
|   | 8  | Shared Voting Power:<br>0      |
|   | 9  | Sole Dispositive Power:<br>0   |
|   | 10 | Shared Dispositive Power:<br>0 |
- 11 Aggregate Amount Beneficially Owned by Each Reporting Person:  
0
- 12 Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)
- 13 Percent of Class Represented by Amount in Row (11):  
0.0%\*
- 14 Type of Reporting Person:  
PN

---

\* The calculation of the foregoing percentage is based on 45,566,680 Common Shares outstanding as of April 13, 2016, as reported in the Issuer's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on April 14, 2016.

Edgar Filing: OLD PSG WIND-DOWN LTD. - Form SC 13D/A

CUSIP No. 71377G100

1	Names of Reporting Persons: PubCo Investments LP	
2	Check the Appropriate Box if a Member of a Group (See Instructions) Not Applicable (a) <input type="radio"/> (b) <input type="radio"/>	
3	SEC Use Only	
4	Source of Funds (See Instructions): AF	
5	Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="radio"/> Not Applicable	
6	Citizenship or Place of Organization: Ontario, Canada	
7	Sole Voting Power: 0	
8	Shared Voting Power: 0	
9	Sole Dispositive Power: 0	
10	Shared Dispositive Power: 0	
11	Aggregate Amount Beneficially Owned by Each Reporting Person: 0	
12	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="radio"/>	
13	Percent of Class Represented by Amount in Row (11): 0.0%*	
14	Type of Reporting Person: PN	

---

\* The calculation of the foregoing percentage is based on 45,566,680 Common Shares outstanding as of April 13, 2016, as reported in the Issuer's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on April 14, 2016.

Edgar Filing: OLD PSG WIND-DOWN LTD. - Form SC 13D/A

CUSIP No. 71377G100

- 1 Names of Reporting Persons:  
2484842 Ontario Limited
- 2 Check the Appropriate Box if a Member of a Group (See Instructions)  
Not Applicable  
(a)   
(b)
- 3 SEC Use Only
- 4 Source of Funds (See Instructions):  
AF
- 5 Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)   
Not Applicable
- 6 Citizenship or Place of Organization:  
Ontario, Canada
- |   |    |                                |
|---|----|--------------------------------|
| Number of<br>Shares<br>Beneficially<br>Owned by<br>Each<br>Reporting<br>Person With | 7  | Sole Voting Power:<br>0        |
|   | 8  | Shared Voting Power:<br>0      |
|   | 9  | Sole Dispositive Power:<br>0   |
|   | 10 | Shared Dispositive Power:<br>0 |
- 11 Aggregate Amount Beneficially Owned by Each Reporting Person:  
0
- 12 Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)
- 13 Percent of Class Represented by Amount in Row (11):  
0.0%\*
- 14 Type of Reporting Person:  
CO

---

\* The calculation of the foregoing percentage is based on 45,566,680 Common Shares outstanding as of April 13, 2016, as reported in the Issuer's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on April 14, 2016.

Edgar Filing: OLD PSG WIND-DOWN LTD. - Form SC 13D/A

CUSIP No. 71377G100

- 1 Names of Reporting Persons:  
Brookfield Capital Partners Ltd.
- 2 Check the Appropriate Box if a Member of a Group (See Instructions)  
Not Applicable  
(a)   
(b)
- 3 SEC Use Only
- 4 Source of Funds (See Instructions):  
AF
- 5 Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)   
Not Applicable
- 6 Citizenship or Place of Organization:  
Ontario, Canada
- |   |    |                                |
|---|----|--------------------------------|
| Number of<br>Shares<br>Beneficially<br>Owned by<br>Each<br>Reporting<br>Person With | 7  | Sole Voting Power:<br>0        |
|   | 8  | Shared Voting Power:<br>0      |
|   | 9  | Sole Dispositive Power:<br>0   |
|   | 10 | Shared Dispositive Power:<br>0 |
- 11 Aggregate Amount Beneficially Owned by Each Reporting Person:  
0
- 12 Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)
- 13 Percent of Class Represented by Amount in Row (11):  
0.0%\*
- 14 Type of Reporting Person:  
CO

---

\* The calculation of the foregoing percentage is based on 45,566,680 Common Shares outstanding as of April 13, 2016, as reported in the Issuer's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on April 14, 2016.

Edgar Filing: OLD PSG WIND-DOWN LTD. - Form SC 13D/A

CUSIP No. 71377G100

1	Names of Reporting Persons: BCP GP Limited
2	Check the Appropriate Box if a Member of a Group (See Instructions) Not Applicable (a) <input type="radio"/> (b) <input type="radio"/>
3	SEC Use Only
4	Source of Funds (See Instructions): AF
5	Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="radio"/> Not Applicable
6	Citizenship or Place of Organization: Ontario, Canada
Number of Shares Beneficially Owned by Each Reporting Person With	7                      Sole Voting Power: 0
	8                      Shared Voting Power: 0
	9                      Sole Dispositive Power: 0
	10                     Shared Dispositive Power: 0
11	Aggregate Amount Beneficially Owned by Each Reporting Person: 0
12	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="radio"/>
13	Percent of Class Represented by Amount in Row (11): 0.0%*
14	Type of Reporting Person: CO

---

\* The calculation of the foregoing percentage is based on 45,566,680 Common Shares outstanding as of April 13, 2016, as reported in the Issuer's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on April 14, 2016.

Edgar Filing: OLD PSG WIND-DOWN LTD. - Form SC 13D/A

CUSIP No. 71377G100

- 1 Names of Reporting Persons:  
Brookfield Private Equity Group Holdings LP
- 2 Check the Appropriate Box if a Member of a Group (See Instructions)  
Not Applicable  
(a)   
(b)
- 3 SEC Use Only
- 4 Source of Funds (See Instructions):  
AF
- 5 Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)   
Not Applicable
- 6 Citizenship or Place of Organization:  
Manitoba, Canada
- |   |    |                                |
|---|----|--------------------------------|
| Number of<br>Shares<br>Beneficially<br>Owned by<br>Each<br>Reporting<br>Person With | 7  | Sole Voting Power:<br>0        |
|   | 8  | Shared Voting Power:<br>0      |
|   | 9  | Sole Dispositive Power:<br>0   |
|   | 10 | Shared Dispositive Power:<br>0 |
- 11 Aggregate Amount Beneficially Owned by Each Reporting Person:  
0
- 12 Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)
- 13 Percent of Class Represented by Amount in Row (11):  
0.0%\*
- 14 Type of Reporting Person:  
PN

---

\* The calculation of the foregoing percentage is based on 45,566,680 Common Shares outstanding as of April 13, 2016, as reported in the Issuer's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on April 14, 2016.



Edgar Filing: OLD PSG WIND-DOWN LTD. - Form SC 13D/A

CUSIP No. 71377G100

- 1 Names of Reporting Persons:  
Brookfield Private Equity Inc.
- 2 Check the Appropriate Box if a Member of a Group (See Instructions)  
Not Applicable  
(a)   
(b)
- 3 SEC Use Only
- 4 Source of Funds (See Instructions):  
AF
- 5 Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)   
Not Applicable
- 6 Citizenship or Place of Organization:  
Ontario, Canada
- |   |    |                                |
|---|----|--------------------------------|
| Number of<br>Shares<br>Beneficially<br>Owned by<br>Each<br>Reporting<br>Person With | 7  | Sole Voting Power:<br>0        |
|   | 8  | Shared Voting Power:<br>0      |
|   | 9  | Sole Dispositive Power:<br>0   |
|   | 10 | Shared Dispositive Power:<br>0 |
- 11 Aggregate Amount Beneficially Owned by Each Reporting Person:  
0
- 12 Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)
- 13 Percent of Class Represented by Amount in Row (11):  
0.0%\*
- 14 Type of Reporting Person:  
CO

---

\* The calculation of the foregoing percentage is based on 45,566,680 Common Shares outstanding as of April 13, 2016, as reported in the Issuer's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on April 14, 2016.

CUSIP No. 71377G100

1	Names of Reporting Persons: Brookfield Asset Management Private Institutional Capital Adviser (Private Equity) LP								
2	Check the Appropriate Box if a Member of a Group (See Instructions) Not Applicable (a) <input type="radio"/> (b) <input type="radio"/>								
3	SEC Use Only								
4	Source of Funds (See Instructions): AF								
5	Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="radio"/> Not Applicable								
6	Citizenship or Place of Organization: Manitoba, Canada								
Number of Shares Beneficially Owned by Each Reporting Person With	<table border="0"> <tr> <td style="text-align: center;">7</td> <td style="vertical-align: top;">Sole Voting Power: 0</td> </tr> <tr> <td style="text-align: center;">8</td> <td style="vertical-align: top;">Shared Voting Power: 0</td> </tr> <tr> <td style="text-align: center;">9</td> <td style="vertical-align: top;">Sole Dispositive Power: 0</td> </tr> <tr> <td style="text-align: center;">10</td> <td style="vertical-align: top;">Shared Dispositive Power: 0</td> </tr> </table>	7	Sole Voting Power: 0	8	Shared Voting Power: 0	9	Sole Dispositive Power: 0	10	Shared Dispositive Power: 0
7	Sole Voting Power: 0								
8	Shared Voting Power: 0								
9	Sole Dispositive Power: 0								
10	Shared Dispositive Power: 0								
11	Aggregate Amount Beneficially Owned by Each Reporting Person: 0								
12	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="radio"/>								
13	Percent of Class Represented by Amount in Row (11): 0.0%*								
14	Type of Reporting Person: PN								

---

\* The calculation of the foregoing percentage is based on 45,566,680 Common Shares outstanding as of April 13, 2016, as reported in the Issuer's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on April 14, 2016.

CUSIP No. 71377G100

1	Names of Reporting Persons: Brookfield Asset Management Inc.
2	Check the Appropriate Box if a Member of a Group (See Instructions) Not Applicable (a) <input type="radio"/> (b) <input type="radio"/>
3	SEC Use Only
4	Source of Funds (See Instructions): AF
5	Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="radio"/> Not Applicable
6	Citizenship or Place of Organization: Ontario, Canada
Number of Shares Beneficially Owned by Each Reporting Person With	7                      Sole Voting Power: 0
	8                      Shared Voting Power: 0
	9                      Sole Dispositive Power: 0
	10                     Shared Dispositive Power: 0
11	Aggregate Amount Beneficially Owned by Each Reporting Person: 0
12	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="radio"/>
13	Percent of Class Represented by Amount in Row (11): 0.0%*
14	Type of Reporting Person: CO

---

\* The calculation of the foregoing percentage is based on 45,566,680 Common Shares outstanding as of April 13, 2016, as reported in the Issuer's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on April 14, 2016.

CUSIP No. 71377G100

1	Names of Reporting Persons: Partners Limited		
2	Check the Appropriate Box if a Member of a Group (See Instructions) Not Applicable		
	(a)		<input type="radio"/>
	(b)		<input type="radio"/>
3	SEC Use Only		
4	Source of Funds (See Instructions): AF		
5	Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)		<input type="radio"/>
	Not Applicable		
6	Citizenship or Place of Organization: Ontario, Canada		
	7	Sole Voting Power:	
			0
	8	Shared Voting Power:	
			0
	9	Sole Dispositive Power:	
			0
	10	Shared Dispositive Power:	
			0
11	Aggregate Amount Beneficially Owned by Each Reporting Person:		
			0
12	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)		<input type="radio"/>
13	Percent of Class Represented by Amount in Row (11):		
			0.0%*
14	Type of Reporting Person:		
			CO

---

\* The calculation of the foregoing percentage is based on 45,566,680 Common Shares outstanding as of April 13, 2016, as reported in the Issuer's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on April 14, 2016.

CUSIP No. 71377G100

This Amendment No. 5 to Schedule 13D (this Statement ) relates to the common shares, no par value per share (the Common Shares ), of Old PSG Wind-down Ltd. (f/k/a Performance Sports Group Ltd.), a corporation formed under the laws of British Columbia, Canada (the Company ). This Statement is being filed on behalf of the Reporting Persons and amends and supplements the Schedule 13D filed by the Reporting Persons dated September 12, 2016, as amended on September 22, 2016, September 28, 2016, October 27, 2016 and April 5, 2017 ( Amendment No. 4 ). Unless otherwise defined, all capitalized terms used herein shall have the respective meanings given to such terms in the initial Schedule 13D.

**Item 3. Source and Amount of Funds or Other Consideration**

Item 3 is hereby supplemented with the addition of the following:

251091708 sold an aggregate of 2,785,967 Common Shares in the open market for an aggregate consideration of \$1,838,738 (excluding brokerage commissions).

**Item 5. Interest in Securities of the Issuer**

Item 5(a)-(c) are hereby amended and restated in their entirety as follows:

(a)-(b) The aggregate number and percentage of Common Shares of the Company held by the Reporting Persons to which this Schedule 13D relates is 0 Common Shares, constituting approximately 0.0% of the Company's currently outstanding Common Shares. The percentage of Common Shares of the Company is based on an aggregate number of Common Shares of the Company of 45,566,680 outstanding as of April 13, 2016, based on the information provided by the Company in the 10-Q. The Reporting Persons have shared voting power and shared dispositive power over the aforementioned Common Shares.

The beneficial ownership reflected in this Item 5, and in the cover pages, reflect beneficial ownership as of April 7, 2017.

Neither the filing of this Schedule 13D nor any of its contents shall be deemed to constitute an admission by any of the Reporting Persons that he or it is the member of a group for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, or for any other purpose.

(c) Schedule I hereto, which is incorporated herein by reference, sets forth the transactions in Common Shares of the Company that were effected since the filing of Amendment No. 3 by the Reporting Persons.

(e) The Reporting Persons ceased to be the beneficial owner of more than five percent of the Common Stock on April 6, 2017.

**SIGNATURES**

After reasonable inquiry and to the best of my knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: April 7, 2017

251091708 DELAWARE LP

By: PubCo Investments LP, its General Partner

By: 2484842 Ontario Limited, its General Partner

By: /s/ A.J. Silber  
Name: A.J. Silber  
Title: Director

PUBCO INVESTMENTS LP

By: 2484842 Ontario Limited, its General Partner

By: /s/ A.J. Silber  
Name: A.J. Silber  
Title: Director

2484842 ONTARIO LIMITED

By: /s/ A.J. Silber  
Name: A.J. Silber  
Title: Director

BROOKFIELD CAPITAL PARTNERS LTD.

By: /s/ David Nowak  
Name: David Nowak  
Title: Managing Partner

BCP GP LIMITED

By: /s/ David Nowak  
Name: David Nowak  
Title: Managing Partner

BROOKFIELD PRIVATE EQUITY GROUP HOLDINGS LP

By: Brookfield Private Equity Inc., its General Partner

By: /s/ David Nowak  
Name: David Nowak  
Title: Managing Partner





BROOKFIELD PRIVATE EQUITY INC.

By: /s/ David Nowak  
Name: David Nowak  
Title: Managing Partner

BROOKFIELD ASSET MANAGEMENT PRIVATE INSTITUTIONAL CAPITAL  
ADVISER (PRIVATE EQUITY), L.P.

By: Brookfield Capital Partners Ltd., its General Partner

By: /s/ David Nowak  
Name: David Nowak  
Title: Managing Partner

BROOKFIELD ASSET MANAGEMENT INC.

By: /s/ A.J. Silber  
Name: A.J. Silber  
Title: VP, Legal Affairs and Corporate Secretary

PARTNERS LIMITED

By: /s/ Brian D. Lawson  
Name: Brian D. Lawson  
Title: President

**SCHEDULE I**

**TRADING IN SHARES**

Since April 5, 2017, the Reporting Persons made the following transactions in the Common Shares of the Company:

Name	Trade Date	Buy/Sell/Exercise	No. of Shares / Quantity	Unit Cost/ Proceeds	Security	Expiration Date
251091708 Delaware LP	4/6/2017	Sell	2,785,967	\$ 0.66	Common Shares	N/A

15

ont-family:inherit;font-size:10pt;">

Auction Rate Securities (by type of underlying asset):

Federally-insured or FFELP guaranteed student loans  
9,523

12,743

Auction market preferred shares  
196

196

9,719

12,939

Total marketable securities  
\$  
72,167

\$  
21,410

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

	October 2, 2010		S&P Credit rating	January 2, 2010		S&P Credit rating
	Par Value	Fair Value		Par Value	Fair Value	
Long-term marketable securities:						
Federally-insured or FFELP guaranteed student loans	\$11,600	\$9,523	AAA	\$15,725	\$12,743	AAA
Auction market preferred shares	8,325	196	C	8,325	196	C
Total Long-term marketable securities	\$19,925	\$9,719		\$24,050	\$12,939	

During the first nine months of fiscal 2010, the Company accepted 13 partial redemptions at 100% of par value (\$0.3 million) of auction rate securities. On July 29, 2010, the Company sold student loan auction rate securities, with a par value of \$3.8 million and fair value of \$2.9 million for \$3.3 million and reported a gain of \$0.4 million in the third quarter of fiscal 2010. The Company intends to sell its auction rate securities as markets for these securities resume or reasonable offers become available. At October 2, 2010, due to continued multiple failed auctions and a determination of illiquidity, the auction rate securities held by the Company are classified as Long-term marketable securities.

Student loan asset-backed notes are insured by the federal government or guaranteed by the Federal Family Educational Loan Program (“FFELP”). Auction market preferred shares are issued by Ambac Assurance Corporation (“AMBAC”).

While the auctions for auction rate securities have historically provided a liquid market for these securities, due to liquidity issues in global credit and capital markets, auction rate securities held by us have experienced multiple failed auctions (a portion beginning in October 2007). These instruments are considered illiquid and have been reclassified as Long-term marketable securities on the Condensed Consolidated Balance Sheets. No additional impairment charges were recognized in the first nine months of fiscal 2010. If we were to liquidate our position in these securities, the amount realized could be materially different than the estimated fair value amounts at which we are carrying these securities and there could be a materially detrimental effect on our financial results.

#### Note 4 - Fair Value of Financial Instruments:

	Fair value measurements as of October 2, 2010			
	Total	Level 1	Level 2	Level 3
Short-term marketable securities	\$62,448	\$62,448	\$—	\$—
Long-term marketable securities	9,719	—	—	9,719
Total assets measured at fair value	\$72,167	\$62,448	\$—	\$9,719

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

Table of Contents

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

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

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

During the nine months ended October 2, 2010 and October 3, 2009, the following changes occurred in our Level 3 instruments (in thousands):

	Nine Months Ended	
	October 2, 2010	October 3, 2009
Beginning fair value of Long-term marketable securities	\$12,939	\$19,485
Fair value of securities sold or redeemed	(3,220)	(925)
Temporary or other-than-temporary fluctuations in fair value	—	(904)
Ending fair value of Long-term marketable securities	\$9,719	\$17,656

In accordance with ASC 320, "Investments-Debt and Equity Securities," the Company recorded an unrealized gain of less than \$0.1 million during the nine months ended October 2, 2010 on certain Short-term marketable securities (Level 1 instruments), which has been recorded in Accumulated other comprehensive income. Future fluctuations in fair value related to these instruments that the Company deems to be temporary, including any recoveries of previous write-downs, would be recorded to Accumulated other comprehensive income. In addition, during the three and nine months ended October 2, 2010, the Company realized a gain of \$0.4 million and \$0.5 million, respectively, related to the sale of a portion of its Long-term marketable securities portfolio.

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

Note 5 - Inventories (in thousands):

	October 2, 2010	January 2, 2010
Work in progress	\$21,524	\$15,046

Finished goods	10,157	10,879
	\$31,681	\$25,925

10

---

Table of Contents

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

	Common stock	Paid-in capital	Treasury stock	Accumu- lated deficit	Accumu- lated other compre- hensive income	Total
Balances, January 2, 2010	\$1,156	\$622,584	\$(326 )	\$(370,212 )	\$158	\$253,360
Net income for the nine months ended October 2, 2010	—	—	—	43,193	—	43,193
Unrealized gain, net, related to marketable securities	—	—	—	—	4	4
Translation adjustments	—	—	—	—	(9 )	(9 )
Comprehensive income	—	—	—	—	—	43,188
Common stock issued in connection with the exercise of stock options, ESPP and vested RSUs (net of taxes)	22	4,249	—	—	—	4,271
Retirement of repurchased stock	—	(326 )	326	—	—	—
Stock-based compensation expense related to stock options, ESPP and RSUs	—	3,505	—	—	—	3,505
Balances, October 2, 2010	\$1,178	\$630,012	\$—	\$(327,019 )	\$153	\$304,324

On December 13, 2008, the Company's Board of Directors approved a stock repurchase program pursuant to which up to \$20.0 million of outstanding common stock may be repurchased from time to time. The duration of the repurchase program was twelve months, and expired on December 13, 2009. During fiscal year 2009, approximately 263,000 shares were repurchased for \$0.3 million, all of which were open market transactions and were funded from available working capital. On May 4, 2010, the Board of Directors approved the retirement of repurchased shares.

On October 21, 2010, the Company's Board of Directors approved a stock repurchase program pursuant to which up to \$20.0 million of outstanding common stock may be repurchased from time to time. The duration of the repurchase program is twelve months. Under the program, the Company may purchase shares of common stock through open market and privately negotiated transaction at prices deemed appropriate by management. The timing and amount of repurchase transactions under this program will depend on market conditions and corporate and regulatory considerations. The purchases will be funded from available working capital.

## Note 7 - Income Taxes:

We are subject to federal income tax as well as income tax of multiple state and foreign jurisdictions. We are no longer subject to federal, state and local, or foreign income tax examinations for years before 2001. We have federal net operating loss carryforwards that expire at various dates between 2021 and 2029. We have state net operating loss carryforwards that expire at various dates from 2010 through 2029. We also have federal and state credit carryforwards, some of which do not expire, with the remainder expiring at various dates from 2010 through 2030. We have provided a valuation allowance equal to our net federal and state deferred tax assets as we have not met the more likely than not realization threshold for deferred tax asset recognition. We evaluate both positive and negative evidence to determine if some or all of our deferred tax assets should be recognized on a quarterly basis. As of

October 2, 2010, the negative evidence, which includes a three year cumulative pretax loss, outweighs the positive evidence available. In future periods, if we determine that the positive evidence is sufficient to conclude that we are more-likely-than-not to realize some or all of our deferred tax assets, we will recognize a deferred tax asset and a benefit in the period in which such determination is made. As of October 2, 2010, the net deferred tax asset relates to foreign jurisdictions where we have concluded it is more-likely-than-not-that we will realize the net deferred tax assets in future periods.

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

We are subject to state and local income tax examinations for the years 2001 through 2003. To date, there are no proposed adjustments that are expected to have a material adverse effect on our results of operations. We are currently under examination in Taiwan related to the 2007 and 2008 tax years. The 2007 exam has been settled with no material adjustments. The 2008 exam has not been settled but there are no proposed adjustments that are expected to have a material adverse effect on our results of operations. We are not currently under examination in any other foreign jurisdictions.

We believe that it is reasonably possible that \$1.5 million of unrecognized tax benefits and \$0.9 million of associated interest and penalties could significantly change during the next twelve months. The \$2.4 million potential change would represent a decrease in unrecognized tax benefits, comprised of items related to matters currently being litigated with the IRS, certain federal and state credits and uncertain income tax positions related to foreign tax filings for years that will no longer be subject to examination under expiring statutes of limitations.

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

#### Note 8 - Restructuring:

During fiscal 2009, we initiated a restructuring plan ("2009 restructuring plan") to lower operating expenses primarily by reducing headcount, reducing occupancy in certain leased facilities and to transfer inventory management, order fulfillment, and direct sales logistics from our headquarters in Oregon to a third party contractor in Singapore. In addition, the Company established an operations center in Singapore to transfer some of its supply chain activities from the Company's headquarters in Oregon. The 2009 restructuring plan will be substantially completed by the fourth quarter of fiscal 2010.

During the third quarter of fiscal 2008, we initiated a restructuring plan ("2008 restructuring plan") to better align operating expenses with near-term revenue expectations, primarily by reducing headcount. The 2008 restructuring plan was substantially complete by the end of fiscal 2008. During the third quarter of fiscal 2007, we approved and initiated a restructuring plan to lower operating expenses primarily by reducing headcount ("2007 restructuring plan").

The 2007 restructuring plan encompassed a reduction in work force, a voluntary separation program for certain employees and the closure of certain leased facilities. The 2007 restructuring plan was substantially complete by the end of fiscal 2009. During the fourth quarter of fiscal 2005, we initiated a restructuring plan (“2005 restructuring plan”) to reduce operating expenses. The 2005 restructuring plan encompassed three major components - a streamlining of research and development sites, a voluntary separation program for certain employees and an organizational consolidation within the Company’s largest design center.

At October 2, 2010, the Condensed Consolidated Balance Sheet included \$1.1 million primarily related to operating lease commitments and severance and related expenses accrued under the provisions of the 2009 restructuring plan. In addition, the Condensed Consolidated Balance Sheet included \$0.3 million related to operating lease commitments accrued under the provisions of the 2005 restructuring plan.

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

	Balance at January 2, 2010	Charged to expense during nine months ended October 2, 2010	Paid or settled	Adjustments to reserve	Balance at October 2, 2010	Cumulative expense through January 2, 2010	Aggregate expense and adjustments
Severance and related costs	\$715	\$199	\$(425)	) \$(196)	) \$293	\$16,004	\$16,007
Lease loss reserve and other	1,521	38	(466)	) —	1,093	9,090	9,128
Total restructuring plans	\$2,236	\$237	\$(891)	) \$(196)	) \$1,386	\$25,094	\$25,135



Table of Contents

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

	Three Months Ended		Nine Months Ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Severance and related costs	\$67	\$1,313	\$3	\$1,307
Lease loss reserve and other	12	1,231	38	1,197
	\$79	\$2,544	\$41	\$2,504

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

## Note 9 - Stock-Based Compensation:

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

Line item:	Three Months Ended		Nine Months Ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Cost of products sold	\$76	\$75	\$235	\$264
Research and development	468	369	1,388	1,128
Selling, general and administrative	489	569	1,882	1,971
	\$1,033	\$1,013	\$3,505	\$3,363

## Note 10 - Legal Matters:

On June 11, 2007, a patent infringement lawsuit was filed by Lizy K. John (“John”) against Lattice Semiconductor Corporation in the U.S. District Court for the Eastern District of Texas, Marshall Division. John seeks an injunction, unspecified damages, and attorneys' fees and expenses. The Company filed a request for re-examination of the patent by the United States Patent and Trademark Office (“PTO”), which was granted by the PTO, and the re-examination is in progress. The litigation has been stayed pending the results of the re-examination. Neither the likelihood nor the amount of any potential exposure to the Company can be estimated at this time.

On April 29, 2010, Stragent, LLC (“Stragent”) and SeeSaw Foundation (“SeeSaw”) filed a patent infringement lawsuit against Lattice Semiconductor Corporation in the U.S. District Court for the Eastern District of Texas, Tyler Division. Stragent and SeeSaw seek unspecified damages and attorneys' fees and expenses. Neither the likelihood nor the amount of any potential exposure to the Company can be estimated at this time.

On July 20, 2010, Intellitech Corporation (“Intellitech”) filed a patent infringement lawsuit against Lattice Semiconductor Corporation in the U.S. District Court for the District of Delaware. Intellitech seeks unspecified damages and attorneys' fees and expenses. Neither the likelihood nor the amount of any potential exposure to the Company can be estimated at this time.

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



Table of Contents

## Note 11 - Segment and Geographic Information:

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

	Three Months Ended				Nine Months Ended			
	October 2, 2010		October 3, 2009		October 2, 2010		October 3, 2009	
United States:	\$8,884	12 %	\$6,108	12 %	\$26,772	12 %	\$21,164	15 %
Export revenue:								
Asia Pacific (primarily China and Taiwan)	42,118	55	27,551	56	122,036	54	77,184	56
Europe	13,691	17	8,414	17	40,465	18	25,135	18
Japan	10,876	14	5,673	12	30,264	13	11,547	8
Other Americas	1,568	2	1,351	3	5,151	3	4,303	3
Total export revenue	68,253	88	42,989	88	197,916	88	118,169	85
Total revenue	\$77,137	100 %	\$49,097	100 %	\$224,688	100 %	\$139,333	100 %

Our five largest customers make up a significant portion of our total revenue. In the first nine months of fiscal 2010 and fiscal 2009, combined revenue attributable to two large telecommunications equipment providers (one of which was supported through one of our distributors in prior years), accounted for approximately 12% and 20% of total revenue, respectively. Most of our property and equipment is located in the United States.

## Note 12- Subsequent Events:

On October 12, 2010, the Company announced that effective November 8, 2010, Mr. Darin G. Billerbeck has been appointed to serve as President and Chief Executive Officer. In connection with Mr. Billerbeck's appointment, the Company entered into an offer letter with Mr. Billerbeck that sets forth certain terms related to Mr. Billerbeck's compensation package. The Company and Mr. Billerbeck entered into an employment agreement effective as of November 8, 2010 that included the compensation described in the offer letter and contains additional terms and conditions substantially similar to those set forth in the employment agreements of the Company's other executive officers.

On October 21, 2010, the Company's Board of Directors approved a stock repurchase program pursuant to which up to \$20.0 million of outstanding common stock may be repurchased from time to time. The duration of the repurchase program is twelve months. Under the program, the Company may purchase shares of common stock through open market and privately negotiated transactions at prices deemed appropriate by management. The timing and amount of repurchase transactions under this program will depend on market conditions and corporate and regulatory considerations. The purchases will be funded from available working capital.

## Table of Contents

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

#### Overview

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

#### Critical Accounting Policies and Estimates

Critical accounting policies are those that are both most important to the portrayal of a company's financial condition and results and require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management believes that there have been no significant changes during the nine months ended October 2, 2010 to the items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended January 2, 2010.

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

#### Recent Accounting Guidance

In September 2009, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2009-13, “Revenue Recognition (Topic 605): Multiple Deliverable Revenue Arrangements (a consensus of the FASB Emerging Issues Task Force)”, (“ASU 2009-13”). ASU 2009-13 provides principles and application guidance on whether multiple deliverables exist, how the arrangement should be separated and the consideration allocated. Additionally, ASU 2009-13 requires an entity to allocate revenue in an arrangement using estimated selling prices of deliverables if a vendor does not have vendor-specific objective evidence or third-party evidence of selling price, eliminates the residual method and requires an entity to allocate revenue using the relative selling price method. This update is effective for the Company beginning January 1, 2011 and can be applied prospectively or retrospectively. The Company is currently assessing the impact of the adoption on its financial statements.

In October 2009, the FASB issued Accounting Standards Update 2009-14, “Software (Topic 985): Certain Revenue Arrangements That Include Software Elements,” (“ASU 2009-14”). ASU 2009-14 clarifies which revenue allocation and measurement guidance should be used for arrangements that contain both tangible products and software, in cases where the software is more than incidental to the tangible product as a whole. More specifically, if the software sold

with or embedded within the tangible product is essential to the functionality of the tangible product, then this software as well as undelivered software elements that relate to this software are excluded from the scope of existing software revenue guidance. This guidance is to be applied prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company is currently assessing the impact of the adoption on its financial statements.

Table of Contents

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, "Fair Value Measurements Disclosures," which amends Subtopic 820-10 of the FASB Accounting Standards Codification to require new disclosures for fair value measurements and provides clarification for existing disclosures requirements ("ASU No. 2010-06"). More specifically, this update will require (a) an entity to disclose separately the amounts of significant transfers in and out of Levels 1 and 2 fair value measurements and to describe the reasons for the transfers; and (b) information about purchases, sales, issuances and settlements to be presented separately (i.e. present the activity on a gross basis rather than net) in the reconciliation for fair value measurements using significant unobservable inputs (Level 3 inputs). This update clarifies existing disclosure requirements for the level of disaggregation used for classes of assets and liabilities measured at fair value and requires disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements using Level 2 and Level 3 inputs. ASU No. 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009 with the exception of revised Level 3 disclosure requirements, which are effective for interim and annual reporting periods beginning after December 15, 2010. The Company has adopted part (a) of this ASU in full with respect to the interim period ended July 3, 2010, and part (b) will be adopted in fiscal year 2011.

## Results of Operations

## Revenue

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

	Three Months Ended				Nine Months Ended			
	October 2, 2010		October 3, 2009		October 2, 2010		October 3, 2009	
Revenue	\$77,137	100.0 %	\$49,097	100.0 %	\$224,688	100.0 %	\$139,333	100.0 %
Gross margin	45,586	59.1	26,619	54.2	133,984	59.6	73,883	53.0
Research and development	14,814	19.2	14,789	30.1	44,654	19.9	43,491	31.2
Selling, general and administrative	15,818	20.5	12,739	25.9	47,621	21.2	39,255	28.1
Amortization of intangible assets	—	—	—	—	—	—	228	0.2
Restructuring	79	0.1	2,544	5.2	41	0.0	2,504	1.8
Income (loss) from operations	\$14,875	19.3 %	\$(3,453)	(7.0)%	\$41,668	18.5 %	\$(11,595)	(8.3)%

Revenue in the third quarter and nine months ended October 2, 2010 increased to \$77.1 million and \$224.7 million, respectively, compared to \$49.1 million and \$139.3 million for the third quarter and nine months ended October 3, 2009. Revenue increased across all product lines, end markets, and product classifications (except for two of our mature product families).

## Revenue by Product Line

FPGA and PLD revenue increased in the third quarter and first nine months of fiscal 2010 when compared to fiscal 2009. There was a 80% and 77% increase in FPGA units sold in the third quarter and first nine months of fiscal 2010 when compared to the third quarter and first nine months of fiscal 2009, respectively, primarily driven by an increase in demand for our New products. PLD revenue also increased across all product classifications (except for two of our mature product families) in the third quarter and first nine months of fiscal 2010 when compared to fiscal 2009, due primarily to an increase in units sold.

Edgar Filing: OLD PSG WIND-DOWN LTD. - Form SC 13D/A

The composition of our revenue by product line for the third quarter and first nine months of fiscal 2010 and 2009 was as follows (dollars in thousands):

	Three Months Ended						Nine Months Ended					
	October 2, 2010			October 3, 2009			October 2, 2010			October 3, 2009		
FPGA	\$24,715	32	%	\$15,201	31	%	\$72,737	32	%	\$47,920	34	%
PLD	52,422	68		33,896	69		151,951	68		91,413	66	
Total revenue	\$77,137	100	%	\$49,097	100	%	\$224,688	100	%	\$139,333	100	%

Table of Contents

## Revenue by End Market

Although units sold overall were up across all end markets, revenue from the Industrial and other end markets increased 171% when the quarter ended October 2, 2010 is compared to the quarter ended October 3, 2009. By contrast, the communications end market increased 46% over this same quarterly comparison and accounted for approximately 50% and 54% of our total revenue for the quarter ended October 2, 2010 and October 3, 2009, respectively, and 50% and 58% for the nine months ended October 2, 2010 and October 3, 2009, respectively. This is primarily due to strength in the wireless segment of the communications end market. We expect that a significant portion of our revenue will continue to be dependent on the health of the communications end market.

The composition of our revenue by end market for the third quarter and first nine months of fiscal 2010 and 2009 was as follows (dollars in thousands):

	Three Months Ended						Nine Months Ended					
	October 2, 2010			October 3, 2009			October 2, 2010			October 3, 2009		
Communications	\$38,954	50	%	\$26,670	54	%	\$112,791	50	%	\$80,436	58	%
Industrial and other	19,575	26		7,234	15		54,668	24		24,177	17	
Computing	10,590	14		8,349	17		33,229	15		17,757	13	
Consumer	8,018	10		6,844	14		24,000	11		16,963	12	
Total revenue	\$77,137	100	%	\$49,097	100	%	\$224,688	100	%	\$139,333	100	%

## Revenue by Product Classification

Revenue for New products increased 119% and 109% for the third quarter and first nine months of fiscal 2010, respectively, compared to the third quarter and first nine months of fiscal 2009. Revenue for Mainstream products increased 32% and 42% for the third quarter and first nine months of fiscal 2010 compared to the third quarter and first nine months of fiscal 2009. Mature product revenue increased 20% and 33% for the third quarter and first nine months of fiscal 2010, compared to the third quarter and first nine months of fiscal 2009. For all three product classifications (except for two of our mature product families) the revenue increase was related to an increase in unit sales partially offset by a decrease in average selling price.

The composition of our revenue by product classification for the third quarter and first nine months of fiscal 2010 and 2009 was as follows (dollars in thousands):

	Three Months Ended						Nine Months Ended					
	October 2, 2010			October 3, 2009			October 2, 2010			October 3, 2009		
New *	\$35,304	46	%	\$16,120	33	%	\$95,174	42	%	\$45,615	33	%
Mainstream *	25,099	32		18,985	39		76,284	34		53,731	38	
Mature *	16,734	22		13,992	28		53,230	24		39,987	29	
Total revenue	\$77,137	100	%	\$49,097	100	%	\$224,688	100	%	\$139,333	100	%

## \* Product Classifications:

New: LatticeECP3, LatticeXP2, LatticeECP2/M, MachXO, Power Manager II, ispClockA/D/S, ispMACH 4000ZE

Mainstream: ispXPLD, ispGDX2, ispMACH 4000/Z, ispXPGA, LatticeSC, LatticeECP, LatticeXP, ispClock, Power Manager I, Software and IP

Mature: FPSC, ORCA 2, ORCA 3, ORCA 4, ispPAC, isplsi 8000V, ispMACH 5000B, ispMACH 2LV, ispMACH 5LV, ispLSI 2000V, ispLSI 5000V, ispMACH 5000VG, all 5-volt CPLDs, GDX/V, ispMACH 4/LV, all SPLDs

\* Product categories are modified as appropriate relative to our portfolio of products and the generation within each major product family. New products consist of our latest generation of products, while Mainstream and Mature are



older or based on unique late stage customer-based production needs. Generally, product categories are adjusted every two to three years, at which time prior periods are reclassified to conform to the new categorization.

Table of Contents

## Revenue by Geography

Domestic revenue increased for the third quarter and first nine months of fiscal 2010 when compared to the third quarter and first nine months of fiscal 2009; however, the percent of total revenue remained the same at 12% for the third quarter and declined from 15% to 12% of total revenue for the first nine months ended fiscal 2010. Export revenue as a percentage of total revenue was 88% and 88% for the third quarter and first nine months of fiscal 2010, compared to 88% and 85% for the third quarter and first nine months of fiscal 2009. Export revenue as a percentage of overall revenue increased primarily due to strength of customers in our Asia Pacific and Japan markets. We believe the export market to the Asia Pacific region will remain the primary source of our revenue due to more favorable business conditions and a continuing trend towards outsourcing of manufacturing by North American and European customers to the Asia Pacific region. Revenue from the Japan region was particularly strong due to increases across all end markets.

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

	Three Months Ended				Nine Months Ended			
	October 2, 2010		October 3, 2009		October 2, 2010		October 3, 2009	
United States:	\$8,884	12 %	\$6,108	12 %	\$26,772	12 %	\$21,164	15 %
Export revenue:								
Asia Pacific (primarily China and Taiwan)	42,118	55	27,551	56	122,036	54	77,184	56
Europe	13,691	17	8,414	17	40,465	18	25,135	18
Japan	10,876	14	5,673	12	30,264	14	11,547	8
Other Americas	1,568	2	1,351	3	5,151	2	4,303	3
Total export revenue	68,253	88	42,989	88	197,916	88	118,169	85
Total revenue	\$77,137	100 %	\$49,097	100 %	\$224,688	100 %	\$139,333	100 %

Our five largest customers make up a significant portion of our total revenue. In the first nine months of fiscal 2010 and fiscal 2009, revenue attributable to two large telecommunications equipment providers (one of which was supported through one of our distributors in prior years), accounted for approximately 12% and 20% of revenue, respectively.

## Gross Margin and Operating Expenses

Our gross margin percentage was 59.1% and 59.6% in the third quarter and first nine months of fiscal 2010, respectively, compared to 54.2% and 53.0% in the third quarter and first nine months of fiscal 2009, respectively. The increase in gross margin percentage during 2010 compared to 2009 was primarily attributed to the significantly higher production volume during the first nine months of fiscal 2010 when compared to fixed overhead costs charged to Cost of products sold. Additionally, due to the broad based nature of our revenue increase, revenue from our Mature and Mainstream products, which typically carry a higher gross margin than our New product categories, increased during the first nine months of fiscal 2010. We continue to benefit from the cost reduction actions undertaken over the prior year, primarily lower freight-in costs. We also realized a benefit related to some sales of older, fully reserved products in the first nine months of fiscal 2010.

Research and development expense was \$14.8 million and \$44.7 million in the third quarter and first nine months of fiscal 2010, respectively, compared to \$14.8 million and \$43.5 million in the third quarter and first nine months of fiscal 2009, respectively. Research and development expenses consist primarily of personnel, masks, engineering wafers, third-party design automation software, assembly tooling and qualification expenses. This increase in the first nine months of fiscal 2010 compared to the first nine months of fiscal 2009 was the result of an increase in personnel

related costs, primarily accrued bonus costs recorded in connection with the 2010 Cash Incentive Compensation Plan, partially offset by a decrease of mask costs. We believe that a continued commitment to research and development is essential to maintain product leadership and provide innovative new product offerings, and therefore we expect to continue to make significant future investments in research and development. As we continue to move to more advanced process technologies such as 65nm, mask and engineering wafer costs are becoming increasingly more expensive and will therefore represent a greater proportion of total research and development expenses.

Selling, general and administrative expense was \$15.8 million and \$47.6 million for the third quarter and first nine months of fiscal 2010, respectively, compared to \$12.7 million and \$39.3 million in the third quarter and first nine months of fiscal 2009, respectively. This increase in fiscal 2010 compared to fiscal 2009 was primarily a result of an increase in sales commission costs, marketing related costs and accrued bonus costs recorded in connection with the 2010 Cash Incentive Compensation Plan.

Table of Contents

Amortization of intangible assets was \$0.2 million in the first nine months of fiscal 2009. Intangible assets related to the acquisition of the FPGa business of Agere Systems, Inc. on January 18, 2002 and became fully amortized during the first quarter of fiscal 2009.

The Company implemented restructuring plans during the fiscal years 2005, 2007, 2008 and 2009 ("2009 restructuring plan"). Included in our Condensed Consolidated Statements of Operations and reported as Restructuring charges for the third quarter and first nine months of fiscal 2010 is a charge of \$0.1 million and less than \$0.1 million, respectively, primarily resulting from severance and related costs under the 2009 restructuring plan. The third quarter and nine months of fiscal 2009 includes restructuring charges of \$2.5 million primarily resulting from severance and related costs under the 2009 restructuring plan.

## Other income (expense), net

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

	Three Months Ended		Nine Months Ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Interest income	\$ 300	\$ 296	\$ 751	\$ 1,025
Gain on sale of excess real estate	—	—	720	—
Gain (loss) related to sale or impairment of auction rate securities, net	409	(1,073 )	469	(2,104 )
(Loss) gain on deferred compensation plan assets and other, net	(40 )	241	(24 )	220
	\$ 669	\$ (536 )	\$ 1,916	\$ (859 )

The impairment charge in the first nine months of fiscal 2009 was recorded due to the decline in fair value of auction rate securities that are considered illiquid. No comparable charge was recorded in the first nine months of fiscal 2010.

Interest income was flat in the third quarter of fiscal 2010 compared to the third quarter of fiscal 2009 as a result of lower interest rates offset by higher invested balances. Interest income declined in the first nine month of fiscal 2010 compared to the first nine months of fiscal 2009 as a result of lower interest rates partially offset by higher invested balances in Marketable securities.

## Provision for income taxes

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

## Liquidity and Capital Resources

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

	Nine Months Ended	
	October 2, 2010	October 3, 2009
Net cash provided by operating activities	\$64,288	\$53,744

Edgar Filing: OLD PSG WIND-DOWN LTD. - Form SC 13D/A

Net cash (used in) provided by investing activities	(57,994	)	8,939	
Net cash provided by (used in) financing activities	4,271		(1,287	)
Net increase in cash and cash equivalents	\$10,565		\$61,396	

Operating Activities

Net cash provided by operating activities was \$64.3 million in the first nine months of fiscal 2010, compared to \$53.7

## Table of Contents

million in the first nine months of fiscal 2009, primarily as a result of an increase in cash flow from Net income (loss) due to a net loss of \$12.6 million in the first nine months of fiscal 2009 compared to net income of \$43.2 million in the first nine months of fiscal 2010. Net cash provided by the decrease in foundry advances was \$11.4 million in the first nine months of fiscal 2010 compared to \$43.1 million provided in the first nine months of fiscal 2009, which included a cash repayment of \$30.0 million under a letter agreement between the Company and Fujitsu Semiconductor Limited ("Fujitsu"). In addition, the increase in Deferred income and allowances on sales to sell-through distributors in the first nine months of fiscal 2010 provided net cash of \$8.0 million to operations compared to \$0.2 million in the first nine months of fiscal 2009, primarily due to the increased activity by sell-through distributors and increased revenue levels. This was partially offset by; net cash used in operations as the result of an increase in Accounts receivable, net, of \$15.7 million in the first nine months of fiscal 2010 compared to cash used in operations as the result of an increase in Accounts receivable, net, of \$1.8 million in the first nine months of fiscal 2009 generated from higher revenue and increased volume by sell-through distributors; and, net cash used in operations as a result of an increase in Inventory of \$5.8 million in the first nine months of fiscal 2010 compared to cash provided by operations as a result of a decrease in Inventory of \$5.6 million in the first nine months of fiscal 2009.

## Investing Activities

Net cash (used in) provided by investing activities decreased by \$66.9 million in the first nine months of fiscal 2010 compared to the first nine months of fiscal 2009. The decrease was due to the purchase of short-term marketable securities of \$91.2 million in the first nine months of fiscal 2010 while no comparable purchases were completed in the first nine months of fiscal 2009. Capital equipment expenditures were \$8.5 million and \$4.3 million in the first nine months of fiscal 2010 and fiscal 2009, respectively. It is expected that capital equipment expenditures, primarily test related equipment, will increase due to the introduction of new products and increased revenue levels.

## Financing Activities

Net cash provided by (used in) financing activities increased by \$5.6 million for the first nine months of fiscal 2010 compared to the first nine months of fiscal 2009 due to the pay down of a credit line and the purchase of Treasury stock in the first quarter of fiscal 2009. No comparable transactions occurred in the first nine months of fiscal 2010. Also, net proceeds from issuance of common stock increased by \$4.9 million due primarily to the exercise of stock options and the proceeds from the employee stock purchase plan.

## Liquidity

As of October 2, 2010, our principal source of liquidity was \$229.1 million of Cash and cash equivalents and Short-term marketable securities, which were approximately \$64.6 million more than the balance of \$164.5 million at January 2, 2010. Working capital increased to \$260.1 million at October 2, 2010 from \$205.5 million at January 2, 2010.

Under the terms of a letter agreement between the Company and Fujitsu, Fujitsu agreed to repay in cash to the Company \$60.0 million, plus interest, in two installments, of which \$30.0 million was received on April 15, 2009 and the remaining \$30.0 million was received on October 15, 2009. In addition, as of October 2, 2010, we expect to receive the remaining advance of less than \$0.1 million in the form of advance credits, including engineering mask set charges, by the end of the fourth quarter of the Company's fiscal 2010, at which time cash flow from operations will no longer include receipts of these credits.

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

At October 2, 2010 and January 2, 2010, the Company held auction rate securities with a par value of \$19.9 million and \$24.1 million, respectively. During the first nine months of fiscal 2010, the Company accepted 13 partial redemptions at 100% of par value (\$0.3 million) of auction rate securities. On July 29, 2010, the Company sold student loan auction rate securities, with a par value of \$3.8 million and fair value of \$2.9 million for \$3.3 million and reported a gain of \$0.4 million in the third quarter of fiscal 2010. The Company intends to sell its auction rate securities as markets for these securities resume or reasonable offers become available. At October 2, 2010, due to continued multiple failed auctions and a determination of illiquidity, the \$19.9 million par value of auction rate securities held by the Company had an estimated fair value of \$9.7 million and are classified as Long-term marketable securities. At January 2, 2010, the fair value of auction rate securities held by the Company and classified as Long-term marketable securities was \$12.9 million.

Long-term marketable securities with a par value of \$11.6 million (estimated fair value of \$9.5 million) are exposed to risks associated with student loan asset-backed notes. Such loans are insured by the federal government or guaranteed by the Federal Family Educational Loan Program. Long-term marketable securities with a par value of \$8.3 million (estimated fair value of \$0.2 million) are auction market preferred shares issued by Ambac Assurance Corporation (“AMBAC”). On August 1, 2009, AMBAC discontinued paying monthly dividends on its auction market preferred shares, which reduced interest income included in Other income (expense), net, by less than \$0.1 million per quarter.

## Table of Contents

While the auctions for auction rate securities have historically provided a liquid market for these securities, due to liquidity issues in global credit and capital markets, auction rate securities held by us have experienced multiple failed auctions (a portion beginning in October 2007). These instruments are considered illiquid and have been reclassified as Long-term marketable securities on the Consolidated Balance Sheets. If we were to liquidate our position in these securities, the amount realized could be materially different than the estimated fair value amounts at which we are carrying these securities and there could be a materially detrimental effect on our financial results.

In accordance with ASC 320, "Investments-Debt and Equity Securities," the Company recorded an unrealized gain of less than \$0.1 million during the nine months ended October 2, 2010 on certain Short-term marketable securities (Level 1 instruments), which has been recorded in Accumulated other comprehensive income. Future fluctuations in fair value related to these instruments that the Company deems to be temporary, including any recoveries of previous write-downs, would be recorded to Accumulated other comprehensive income. In addition, during the three and nine months ended October 2, 2010, the Company realized a gain of \$0.4 million related to the sale of a portion of its Long-term marketable securities portfolio.

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

On December 13, 2008, the Company's Board of Directors approved a stock repurchase program pursuant to which up to \$20.0 million of outstanding common stock may be repurchased from time to time. The duration of the repurchase program was twelve months, and expired on December 13, 2009. During fiscal year 2009, approximately 263,000 shares were repurchased for \$0.3 million, all of which were open market transactions and were funded from available working capital. On May 4, 2010, the Board of Directors approved the retirement of repurchased shares.

On October 21, 2010, the Company's Board of Directors approved a stock repurchase program pursuant to which up to \$20.0 million of outstanding common stock may be repurchased from time to time. The duration of the repurchase program is twelve months. Under the program, the Company may purchase shares of common stock through open market and privately negotiated transactions at prices deemed appropriate by management. The timing and amount of repurchase transactions under this program will depend on market conditions and corporate and regulatory considerations. The purchases will be funded from available working capital.

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

## Contractual Obligations

There have been no significant changes to the Company's contractual obligations outside of the ordinary course of business in the first nine months of fiscal 2010 as summarized in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended January 2, 2010.





Table of Contents

Off-Balance Sheet Arrangements

As of October 2, 2010, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

21

---

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Credit Market Risks

At October 2, 2010 and January 2, 2010, we held auction rate securities with a par value of \$19.9 million and \$24.1 million, respectively. At October 2, 2010, the auction rate securities held by us had an estimated fair value of \$9.7 million. At January 2, 2010, the auction rate securities had an estimated fair value of \$12.9 million. Our investments in auction rate securities are subject to interest rate and market risk.

Foreign Currency Exchange Rate Risk

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

Except for the above, there have been no material changes to the quantitative and qualitative disclosures about market risk reported in our Annual Report on Form 10-K for the year ended January 2, 2010.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

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

Table of Contents

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

The risk factors included herein include any material changes to and supersede the description of the risk factors associated with our business previously disclosed in Item 1A of our Annual Report on Form 10-K for the year ended January 2, 2010. The following risk factors and other information included in this Quarterly Report should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks occur, our business, financial condition, operating results and cash flows could be materially adversely affected.

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

Our revenue and gross margin can fluctuate significantly due to downturns in the general economy or the semiconductor industry. These downturns are often severe and prolonged and can result in significant reductions in the demand for PLD and FPGA products in markets in which we compete. Global economic weakness or cyclical downturns have previously resulted from periods of economic recession, reduced access to credit markets, weakening or strengthening of the U.S. dollar relative to other currencies, weak end-user demand, excess industry capacity, political instability, terrorist activity or U.S. or other military actions, or general reductions in inventory levels by customers, and may cause a decrease in revenue, gross margin, earnings or growth rates and problems with our ability to manage inventory levels and collect customer receivables. In addition, our relationships with our employees and suppliers and ability to access capital markets could be adversely affected. In addition, customer financial difficulties have previously resulted, and could result in the future, in increases in bad debt write-offs and additions to reserves in our Accounts receivable. Global economic and cyclical downturns also may lead to restructuring actions and associated expenses. Uncertainty about future economic conditions makes it difficult for us to forecast operating results and to make decisions about future investments. Any or all of these factors could adversely affect our financial condition and results of operations in the future.

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

The majority of our revenue (approximately 50% of first nine months of fiscal 2010 revenue) is derived from customers participating in the communications equipment end market. In addition, during fiscal year 2009, the Company participated in the China 3G telecommunications network build-out by selling products used by two large telecommunication equipment providers (one of which was supported through one of our distributors), which accounted for a combined 23% of our aggregate revenue during that period. This is primarily due to strength in the wireless segment of the communications end market. For the first nine months of fiscal 2010, the same two large telecommunication equipment providers accounted for a combined 12% of revenue. In the past, a general weakening in demand for programmable logic products from customers in the communications end market has adversely affected our revenue. Any deterioration in the communication end market or reduction in capital spending to support this end market could lead to a reduction in demand for our products and could adversely affect our revenue and results of

operations.

The potential impact of customer design-in activity on future revenue is inherently uncertain and could impact our ability to manage production or our ability to forecast sales.

We face uncertainties relating to the potential impact of customer design-in activity because it is unknown whether any particular customer design-in will ultimately result in sales of significant volume. After a specific customer design-in is obtained, many factors can impact the timing and amount of sales that are ultimately realized from the specific customer design-in. Changes in the competitive position of our technology, the customer's product competitiveness or product strategy, the financial position of the customer, and other factors can impact the timing and amount of sales ultimately realized from any specific customer design-in. As a result, we may not be able to accurately manage the production levels of our new products or accurately forecast the future sales of such products, and adversely affect our revenue and operating results.

23

---

## Table of Contents

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

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

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

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

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

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

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

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

As a semiconductor company, we operate in a dynamic environment marked by rapid product obsolescence. The programmable logic market is characterized by rapid technology and product evolution and historically the market for FPGA products has grown faster than the market for PLD products. Currently, we derive a greater proportion of our revenue from PLD products than FPGA products. Consequently, our future success depends on our ability to

introduce new FPGA and associated software design tool products that meet evolving customer needs while achieving acceptable margins. We are presently shipping our latest generation FPGA product families that are critical to our ability to grow our FPGA product revenue and expand our overall revenue. We also plan to continue upgrading our customer design tool products and increase our offerings of intellectual property cores. If we fail to introduce new products in a timely manner, or if these products or future new products fail to achieve market acceptance, our operating results could be harmed.

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

## Table of Contents

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

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

Our future revenue growth is dependent on market acceptance of our new silicon and software design tool products and the continued market acceptance of our current products.

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

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

If, due to these or other factors, our new silicon and software products do not achieve market acceptance, or our current products do not maintain market acceptance, our operating results may be harmed.

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

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

- changes in local economic conditions;
- exchange rate volatility;
- governmental stimulus packages, controls and trade restrictions;
- export license requirements and restrictions on the export of technology;
- political instability, war, terrorism or pandemic disease;
- changes in tax rates, tariffs or freight rates;



- reduced protection for intellectual property rights in some countries;
- longer receivable collection periods;
- natural or man-made disasters in the countries where we sell our products;
- interruptions in transportation;
- different labor regulations; and
- difficulties in staffing and managing foreign sales offices.

## Table of Contents

We depend on distributors to generate a majority of our sales and complete order fulfillment. The failure of our distributors to sell our products and otherwise perform as expected could materially reduce our future sales.

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

At times, our sales are concentrated in a small number of distributors, which are in various international locations and are of various sizes and financial strengths. Financial difficulties, inability to access capital markets, or other reasons, may affect our distributors' performance, which could materially harm our business and our operating results. Additionally, any reduction in sales efforts, failure to provide good customer service or any other failure to perform by our distributors as expected, could materially reduce our future sales and harm our operating results.

We rely on our distributors that use the sell-through distribution model to produce resale reports that help us in predicting future sales and revenues. The failure of such distributors to produce accurate and timely resale reports could affect our ability to make these predictions.

During fiscal 2009, the Company embarked on a program to restructure its distribution channels, primarily in the Asia Pacific region, from a sell-in to a sell-through distribution model. The sell-in distribution model allows the Company to recognize revenue upon shipment to the distributor. In the sell-through distribution model, distributors have price protection and rights of return on unsold merchandise. Consequently, revenue is recognized upon resale to an end customer. As a result, we expect that the majority of our revenue in fiscal 2010 will be reported resale by our sell-through distributors. Our distributors that use the sell-through distribution model produce resale reports that help us in predicting future sales and revenue recognition. We depend on the timeliness and accuracy of these resale reports from our distributors; late or inaccurate resale reports could have a detrimental effect on our ability to recognize revenue and our ability to predict future sales. In addition, our distribution channels recently have experienced consolidation due to merger and acquisition activity in that business sector. Consolidation may result in our distributors allocating fewer resources to the distribution and sale of our products, which would adversely affect our financial results.

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

We depend on our foundry partners to deliver high quality silicon wafers with acceptable yields in a timely manner. As is common in our industry, we have experienced wafer yield problems and delivery delays. If our foundry partners are unable for a prolonged period to produce silicon wafers that meet our specifications, with acceptable yields, or wafer costs increase, our operating results could be harmed.

The reliable manufacture of high performance programmable logic devices is a complicated and technically demanding process requiring:

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

As a result, our foundry partners may periodically increase costs or experience difficulties in achieving acceptable quality and yield levels when manufacturing our silicon wafers.

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

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

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

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

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

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

All of our major silicon wafer suppliers operate fabrication facilities located in Asia. Additionally, our finished silicon wafers are assembled and tested by independent contractors located in Indonesia, Japan, Malaysia, the Philippines, Singapore and South Korea. Economic, financial, social and political conditions in Asia have historically been volatile. Financial difficulties, the effects of currency fluctuation, governmental actions or restrictions, prolonged work stoppages, political unrest, war, natural disaster, disease or any other difficulties experienced by our suppliers may disrupt our supply and could harm our operating results.

## Table of Contents

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

We do not assemble our finished products or perform all testing of our products. Currently, our finished products are assembled and may be tested by independent contractors in Indonesia, Japan, Malaysia, the Philippines, Singapore and South Korea or elsewhere in Asia. If any of our current or future assembly or test contractors significantly interrupts or reduces our supply of assembled and tested devices, our operating results could be harmed.

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

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

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

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

We rely on contractors to assemble and test our devices with acceptable quality and yield levels. As is common in our industry, we have experienced quality and yield problems in the past. If we experience prolonged quality or yield problems in the future, our operating results could be harmed.

The majority of our revenue is derived from semiconductor devices assembled in advanced packages. The assembly of advanced packages is a complex process requiring:

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

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

We are currently implementing a new enterprise-wide financial reporting system which may cause operating or reporting disruptions.

In fiscal 2009, the Company initiated the implementation of an enterprise-wide financial reporting (“ERP”) system to improve processes, enhance the access and timeliness of critical business information and strengthen controls throughout the Company. We converted to this new system in October 2010. Many companies have experienced operating or reporting disruptions when converting to a new ERP system, including limitations on a company’s ability to deliver and bill for customer shipments, maintain current and complete books and records, maintain an effective internal control environment and meet external reporting deadlines. While we do not currently anticipate any significant disruptions to our business, any major difficulty in the conversion to the new reporting system could negatively impact the Company’s business, results of operations and cash flows.

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

On October 12, 2010, the Company's Board of Directors announced the appointment of Darin G. Billerbeck as the Company's President and Chief Executive Officer, effective November 8, 2010. We may experience disruption in our business activities as we transition to a new chief executive officer, and our relationships with employees, customers and suppliers could be adversely affected by these disruptions. In addition, our competitors may seek to use this transition and the related potential disruptions to gain a competitive advantage over us. Our future operating results depend substantially upon the continued service of our executive officers and key personnel and in significant part upon our ability to attract and retain qualified management personnel. Competition for qualified personnel is intense, and we cannot ensure success in attracting or retaining qualified personnel. There may be only a limited number of persons with the requisite skills to serve in these positions and it may be increasingly difficult for us to hire personnel over time. Our business, financial condition and results of operations could be materially adversely affected by the loss of any of our key employees, by the failure of any key employee to perform in his or her current position, or by our inability to attract and retain skilled employees.

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.

## Table of Contents

Our entire long-term marketable securities portfolio is invested in auction rate securities, which at the time of purchase were investment grade and acquired within the guidelines of our then current investment policy. Subsequent to purchase, these auction rate securities were the subject of multiple failed auctions, which adversely affected their liquidity. If auction rate securities continue to experience unsuccessful auctions, or if the credit rating of the auction rate security, auction rate security issuer, the third-party insurer of such investments, the issuers of the investments underlying the securities or credit default swaps deteriorate, we may in the future be required to adjust the carrying value of the auction rate security through impairment charges, and any of these events could have a materially detrimental effect on our liquidity and results of operations.

At October 2, 2010 and January 2, 2010, the Company held auction rate securities with a par value of \$19.9 million and \$24.1 million, respectively. The Company intends to sell its auction rate securities as markets for these securities resume or reasonable offers become available. At October 2, 2010, due to continued multiple failed auctions and a determination of illiquidity, the \$19.9 million par value of auction rate securities held by the Company had an estimated fair value of \$9.7 million and are classified as Long-term marketable securities.

Long-term marketable securities with a par value of \$11.6 million (estimated fair value of \$9.5 million) are exposed to risks associated with student loan asset-backed notes. Such loans are insured by the federal government or guaranteed by the Federal Family Educational Loan Program. Long-term marketable securities with a par value of \$8.3 million (estimated fair value of \$0.2 million) are auction market preferred shares issued by Ambac Assurance Corporation (“AMBAC”). On August 1, 2009, AMBAC discontinued paying monthly dividends on its auction market preferred shares.

While the auctions for auction rate securities have historically provided a liquid market for these securities, due to liquidity issues in global credit and capital markets, auction rate securities held by us have experienced multiple failed auctions (a portion beginning in October 2007). These instruments are considered illiquid and have been reclassified as Long-term marketable securities on the Condensed Consolidated Balance Sheets. If we were to liquidate our position in these securities, the amount realized could be materially different than the estimated fair value amounts at which we are carrying these securities and there could be a materially detrimental effect on our financial results.

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

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

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

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

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, our competitive position may be harmed or we may 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 be forced to use substantial financial and management resources, which could have an adverse affect on our operating results.

We face risks related to patent litigation.

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

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

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

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

We carry insurance customary for companies in our industry, including, but not limited to, liability, property and casualty, worker's compensation and business interruption insurance. We also self-insure our employees for basic medical expenses, subject to a true insurance stop loss for catastrophic illness. In addition, we have insurance contracts that provide director and officer liability coverage for our directors and officers. Other than the specific areas mentioned above, we are self-insured with respect to most other risks and exposures, and the insurance we carry in many cases is subject to a significant policy deductible or other limitation before coverage applies. Based on management's assessment and judgment, we have determined that it is more cost effective to self-insure against

certain risks than to incur the insurance premium costs. The risks and exposures for which we self-insure include, but are not limited to, natural disasters, product defects, political risk, theft, patent infringement and some employment practice matters. Should there be a catastrophic loss due to an uninsured event such as an earthquake or a loss due to adverse occurrences in any area in which we are self-insured, our financial condition, results of operations and liquidity may be adversely affected.

#### ITEM 5. OTHER INFORMATION

On September 1, 2010, Sean Riley, Lattice Semiconductor Corporation's (the "Company's") Corporate Vice President and General Manager, High Density, established a Rule 10b5-1 sales plan for shares of the Company's common stock as part of a personal investment diversification strategy. Rule 10b5-1 requires, among other things, that a trading plan be established only at a time when the officer is not aware of material, nonpublic information. The plan specifies the term of the plan, which will expire October 31, 2011, the number of shares to be sold, and the times and prices at which shares may be sold. The shares were acquired pursuant to awards under the Company's equity compensation programs. If all conditions of the plan are met, up to 80,000 shares may be sold under the plan, which would equal approximately 15% of the aggregate number of shares, including vested and unvested equity awards that Sean Riley holds as of October 31, 2010.

On September 1, 2010, Byron W. Milstead, the Company's Corporate Vice President, General Counsel and Secretary, established a Rule 10b5-1 sales plan for shares of the Company's common stock as part of a personal investment diversification strategy. Rule 10b5-1 requires, among other things, that a trading plan be established only at a time when the officer is not aware of material, nonpublic information. The plan specifies the term of the plan, which will expire September 30, 2011, the number of shares to be sold, and the times and prices at which shares may be sold. The shares were acquired pursuant to awards under the Company's equity compensation programs. If all conditions of the plan are met, up to 109,172 shares may be sold under the plan, which would equal approximately 41% of the aggregate number of shares, including vested and unvested equity awards that Mr. Milstead holds as of October 31, 2010.

On November 4, 2010, the Company entered into an employment agreement, dated effective as of November 8, 2010, with Darin G. Billerbeck, who has been appointed as the Company's new President and Chief Executive Officer effective November 8, 2010, a copy of which is filed as an exhibit to this quarterly report on Form 10-Q. This employment agreement provides for the compensation described in the offer letter between the Company and Mr. Billerbeck as previously disclosed on a current report on Form 8-K filed with the SEC on October 12, 2010, and includes other terms and conditions substantially similar to those set forth in the employment agreements of the Company's other executive officers.

On November 4, 2010, the Board of Directors appointed Darin G. Billerbeck, age 51, to fill the vacancy on the Board created by the resignation of Bruno Guilmar on August 5, 2010.



Table of Contents

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	The Company's Restated Certificate of Incorporation filed February 24, 2004 (Incorporated by reference to Exhibit 3.1 filed with the Company's Annual Report on Form 10-K for the year ended January 3, 2004).
3.2	The Company's Bylaws, as amended and restated as of January 31, 2006 (Incorporated by reference to Exhibit 99.1 filed with the Company's Current Report on Form 8-K filed February 3, 2006).
4.4	Indenture, dated as of June 20, 2003, between the Company and U.S. Bank National Association (Incorporated by reference to Exhibit 4.1 filed with the Company's Registration Statement on Form S-3 on August 13, 2003).
4.5	Form of Note for the Company's Zero Coupon Convertible Subordinated Notes (Incorporated by reference to Exhibit 4.2 filed with the Company's Registration Statement on Form S-3 on August 13, 2003).
10.23	Advance Production Payment Agreement dated March 17, 1997 among Lattice Semiconductor Corporation and Seiko Epson Corporation and S MOS Systems, Inc. (Incorporated by reference to Exhibit 10.23 filed with the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2005)(1).
10.24*	Lattice Semiconductor Corporation 1996 Stock Incentive Plan, as amended, and Related Form of Option Agreement (Incorporated by reference to Exhibits (d)(1) and (d)(2) to the Company's Schedule TO filed on February 13, 2003).
10.33*	2001 Outside Directors' Stock Option Plan, as amended and restated effective May 1, 2007 (Incorporated by reference to the Appendix A filed with the Company's 2007 Definitive Proxy Statement on Schedule 14A filed on April 5, 2007).
10.34*	2001 Stock Plan, as amended, and related Form of Option Agreement (Incorporated by reference to Exhibits (d)(3) and (d)(4) to the Company's Schedule TO filed on February 13, 2003).
10.35	Intellectual Property Agreement by and between Agere Systems Inc. and Agere Systems Guardian Corporation and Lattice Semiconductor Corporation as Buyer, dated January 18, 2002 (Incorporated by reference to Exhibit 10.35 filed with the Company's Annual Report on Form 10-K for the year ended December 29, 2001).
10.37*	Lattice Semiconductor Corporation Executive Deferred Compensation Plan, as amended and restated effective as of August 11, 1997 (Incorporated by reference to Exhibit 99.3 filed with the Company's Registration Statement on Form S-3, as amended, dated October 17, 2002).
10.38*	Amendment No. 1, to the Lattice Semiconductor Corporation Executive Deferred Compensation Plan, as amended, dated November 19, 1999 (Incorporated by reference to Exhibit 99.4 filed with the Company's Registration Statement on Form S-3, as amended, dated October 17, 2002).
10.39	

Registration Rights Agreement, dated as of June 20, 2003, between the Company and the initial purchaser named therein (Incorporated by reference to Exhibit 4.3 filed with the Company's Registration Statement on Form S-3 on August 13, 2003).

- 10.41\* Form of Indemnification Agreement executed by each director and executive officer of the Company and certain other officers and employees of the Company and its subsidiaries (Incorporated by reference to Exhibit 10.41 filed with the Company's Annual Report on Form 10-K for the year ended January 3, 2004).
- 10.42 Amendment dated March 25, 2004 to Advance Production Payment Agreement dated March 17, 1997, as amended, among Lattice Semiconductor Corporation and Seiko Epson Corporation and S MOS Systems, Inc. (Incorporated by reference to Exhibit 10.42 filed with the Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 2004)(1).
- 10.43 Advance Payment and Purchase Agreement dated September 10, 2004 between Lattice Semiconductor Corporation and Fujitsu Limited (Incorporated by reference to Exhibit 10.1 filed with the Company's Quarterly Report on Form 10-Q for the quarter ended October 2, 2004)(1).
- 10.44\* Employment Agreement between Lattice Semiconductor Corporation and Stephen A. Skaggs dated August 9, 2005 (Incorporated by reference to Exhibit 99.1 filed with the Company's Current Report on Form 8-K filed on August 12, 2005).
- 10.45\* Compensation Arrangement between Lattice Semiconductor Corporation and Patrick S. Jones, Chairman of the Board of Directors (Incorporated by reference to Exhibit 99.2 filed with the Company's Current Report on Form 8-K filed on August 12, 2005).
- 10.46\* Employment Agreement between Lattice Semiconductor Corporation and Jan Johannessen dated November 1, 2005 (Incorporated by reference to Exhibit 10.1 filed with the Company's Quarterly Report on Form 10-Q filed on November 4, 2005).

Table of Contents

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

- 10.60\* Employment Agreement between Lattice Semiconductor Corporation and Byron Milstead dated May 14, 2008 (Incorporated by reference to Exhibit 10.60 filed with the Company's Current Report on Form 10-Q filed on August 8, 2008).
- 10.61\* Form of Inducement Stock Option Agreement (Incorporated by reference to Exhibit 10.61 filed with the Company's Current Report on Form 10-Q filed on November 5, 2008).
- 10.62\* Employment Agreement between Lattice Semiconductor Corporation and Michael G. Potter dated February 4, 2009 (Incorporated by reference to Exhibit 99.2 filed with the Company's Current Report on Form 8-K filed on February 4, 2009).
- 10.63\* 2009 Bonus Plan of Lattice Semiconductor Corporation (Incorporated by reference to Exhibit 10.63 filed with the Company's Annual Report on Form 10-K filed on March 13, 2009).
- 10.64 Addendum #4 dated effective December 18, 2009 to the Advanced Payment and Purchase Agreement dated September 10, 2004 between Lattice Semiconductor Corporation and Fujitsu Limited (Incorporated by reference to Exhibit 10.64 filed with the Company's Annual Report on Form 10-K filed on March 13, 2009).
- 10.65 Letter Agreement effective December 18, 2008 re Repayment of Advance Payment between Lattice Semiconductor Corporation and Fujitsu Microelectronics Limited and Fujitsu Microelectronics America, Inc (Incorporated by reference to Exhibit 10.65 filed with the Company's Annual Report on Form 10-K filed on March 13, 2009).

Table of Contents

Exhibit Number	Description
10.66*	Employment Agreement between Lattice Semiconductor Corporation and Byron Milstead effective as of December 30, 2008 (Incorporated by reference to Exhibit 10.66 filed with the Company's Annual Report on Form 10-K filed on March 13, 2009).
10.67*	Employment Agreement between Lattice Semiconductor Corporation and Sean Riley dated September 22, 2008 (Incorporated by reference to Exhibit 10.67 filed with the Company's Current Report on Form 10-Q filed on May 8, 2009).
10.68*	Employment Agreement between Lattice Semiconductor Corporation and Christopher M. Fanning amended and restated as of December 15, 2008 (Incorporated by reference to Exhibit 10.68 filed with the Company's Current Report on Form 10-Q filed on May 8, 2009).
10.69*	Lattice Semiconductor Corporation 2010 Cash Incentive Compensation Plan (Incorporated by reference to Exhibit 10.69 filed with the Company's Annual Report on Form 10-K filed on March 10, 2010).
10.70*	Employment Agreement between Lattice Semiconductor Corporation and Darin G. Billerbeck dated as of November 8, 2010.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(1)	Pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, confidential treatment has been granted to portions of this exhibit, which portions have been deleted and filed separately with the Securities and Exchange Commission.
*	Management contract or compensatory plan or arrangement required to be filed as an Exhibit to this Annual Report on Form 10-K pursuant to Item 15(b) thereof.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LATTICE SEMICONDUCTOR CORPORATION  
(Registrant)

/s/ MICHAEL G. POTTER  
Michael G. Potter  
Corporate Vice President and Chief Financial Officer  
(Duly Authorized Officer and Principal Financial  
and Accounting Officer)

Date: November 5, 2010