

DRAFT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Lattice Semiconductor Corporation
5555 NE Moore Court
Hillsboro, Oregon 97124

Attention: *Martin R. Baker*
Vice President & General Counsel

Dear Mr. Baker:

The Bureau of Industry and Security, United States Department of Commerce ("BIS"), has reason to believe that Lattice Semiconductor Corporation ("Lattice"), violated the Export Administration Regulations (the "Regulations"),¹ which are issued under the authority of the Export Administration Act of 1979 (the "Act"),² on 12 occasions. Specifically, BIS charges that Lattice committed the following violations:

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2002). The violations charged occurred in 2000 - 2002. The Regulations governing the violations at issue are found in the 2000, 2001, and 2002 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000-2002)).

² 50 U.S.C. app. 2401- 2420 (1994 & Supp. V. 1999). From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (1994 & Supp. V 1999)) ("IEEPA"). On November 13, 2000, the Act was reauthorized by Pub. L. No. 106-508 and it remained in effect through August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (66 *Fed. Reg.* 44025 (August 22, 2001)), as extended by the Notice of August 14, 2002 (67 *Fed. Reg.* 53721 (August 16, 2002)), has continued the Regulations in effect under IEEPA. The Act and Regulations are available on the Government Printing Office website at: <http://w3.access.gpo.gov/bis/>.

Charges 1-6 (15 C.F.R. §764.2(a) - Engaging in Prohibited Conduct)

On six occasions, between on or about April 14, 2000 and on or about July 6, 2001, Lattice exported extended temperature range programmable logic devices, classified under Export Control Classification Number (“ECCN”) 3A001.a.2.c, to China via Hong Kong without obtaining authorization from BIS, as required by Section 742.4 of the Regulations. *See* Schedule A, which is enclosed herewith and incorporated herein by reference. Items classified under ECCN 3A001.a.2.c are controlled for reasons of national security. In doing so, Lattice committed six violations of Section 764.2(a) of the Regulations.

Charges 7-11 (15 C.F.R. §764.2(a) - Engaging in Prohibited Conduct)

On five occasions, between on or about July 23, 2000 and on or about January 2, 2002, Lattice exported technical data to China, classified under ECCN 3E001, without obtaining proper authorization from BIS, as required by Section 742.4 of the Regulations. In each case, the technical data was released in the United States to a national of China and is deemed to be an export of the technical data to China under Section 734.2(b)(ii) of the Regulations. *See* Schedule B, which is enclosed herewith and incorporated herein by reference. Items classified under ECCN 3E001 are controlled for reasons of national security. In doing so, Lattice committed five violations of Section 764.2(a) of the Regulations.

Charge 12 (15 C.F.R. §764.2(a) - Engaging in Prohibited Conduct)

Between in or about August, 2000 and in or about September, 2001, Lattice exported technical data to China, classified under ECCN 3E001, without obtaining proper authorization from BIS, as required by Section 742.4 of the Regulations. Items classified under ECCN 3E001 are controlled for reasons of national security. In doing so, Lattice committed one violation of Section 764.2(a) of the Regulations.

Accordingly, Lattice is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

The maximum civil penalty allowed by law of up to \$120,000 per violation;³

Denial of export privileges; and/or

Exclusion from practice before BIS.

If Lattice fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. (Regulations, Sections 766.6 and 766.7). If Lattice defaults, the Administrative Law Judge may find the charges alleged in this letter are true without hearing or further notice to Lattice. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty on each of the charges in this letter.

Lattice is further notified that it is entitled to an agency hearing on the record if Lattice files a written demand for one with its answer. (Regulations, Section 766.6). Lattice is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. (Regulations, Sections 766.3(a) and 766.4).

The Regulations provide for settlement without a hearing. (Regulations, Section 766.18). Should you have a proposal to settle this case, you or your representative should transmit it to me through the attorney representing BIS named below.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, Lattice's answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

U.S. Coast Guard ALJ Docketing Center
40 S. Gay Street
Baltimore, Maryland 21202-4022

³Pursuant to 15 C.F.R. § 6.4(a)(2), the maximum penalty for violations one, seven, and eight is \$11,000 per violation; and the maximum penalty for violations nine through eleven is \$12,000 per violation. Pursuant to 15 C.F.R. § 6.4(a)(7) the maximum penalty for violations two through six and twelve is \$120,000 per violation.

Lattice Semiconductor Corporation
Charging Letter
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In addition, a copy of Lattice's answer must be served on BIS at the following address:

Chief Counsel for Industry and Security
Attention: Peter R. Klason
Room H-3839
United States Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

Peter R. Klason is the attorney representing BIS in this case; any communications that you may wish to have concerning this matter should occur through him. He may be contacted by telephone at (202) 482-5301.

Sincerely,

Mark D. Menefee
Director
Office of Export Enforcement

Enclosure

SCHEDULE A

CHARGE NUMBER	DATE OF VIOLATION	VALUE
1	April 14, 2000	\$1575.00
2	December 1, 2000	\$4990.00
3	December 1, 2000	\$7500.00
4	February 15, 2001	\$6200.00
5	February 16, 2001	\$6500.00
6	July 6, 2001	\$13,000.00

SCHEDULE B

CHARGE NUMBER	DATE OF VIOLATION	RECIPIENT OF THE TECHNICAL DATA RELEASED
7	July 23, 2000	Lu, Weifen
8	July 23, 2000	Wu, Wiaohong
9	January 2, 2002	Yin, Qiyi
10	January 2, 2002	Yu, Kuanhao
11	January 2, 2002	Sun, Zhouying

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:)
)
Lattice Semiconductor Corporation)
5555 NE Moore Court)
Hillsboro, Oregon 97124)
)
Respondent.)
_____)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Lattice Semiconductor Corporation (“Lattice”), and the Bureau of Industry and Security, United States Department of Commerce (“BIS”) (collectively referred to as “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2004)) (“Regulations”),¹ issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”),²

¹ The violations charged occurred in 2000 - 2002. The Regulations governing the violations at issue are found in the 2000, 2001, and 2002 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000-2002)). The 2004 Regulations establish the procedures that apply to this matter.

² From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized and it remained in effect through August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended by the Notice of August 6, 2004 (69 *Fed. Reg.* 48763 (August 10, 2004)), has continued the Regulations in effect under IEEPA.

WHEREAS, BIS has notified Lattice of its intention to initiate an administrative proceeding against Lattice, pursuant to the Act and the Regulation;

WHEREAS, BIS has issued a proposed charging letter to Lattice that alleged that Lattice committed 12 violations of the Regulations, specifically:

1. *Six Violations of 15 C.F.R. §764.2(a) - Engaging in Prohibited Conduct:* On six occasions, between on or about April 14, 2000 and on or about July 6, 2001, Lattice exported extended temperature range programmable logic devices, classified under Export Control Classification Number (“ECCN”) 3A001.a.2.c, to China via Hong Kong without obtaining authorization from BIS, as required by Section 742.4 of the Regulations. Items classified under ECCN 3A001.a.2.c are controlled for reasons of national security.
2. *Five Violations of 15 C.F.R. §764.2(a) - Engaging in Prohibited Conduct:* On five occasions, between on or about July 23, 2000 and on or about January 2, 2002, Lattice exported technical data to China, classified under ECCN 3E001, without obtaining proper authorization from BIS, as required by Section 742.4 of the Regulations. In each case, the technical data was released in the United States to a national of China and is deemed to be an export of the technical data to China under Section 734.2(b)(ii) of the Regulations. Items classified under ECCN 3E001 are controlled for reasons of national security.

WHEREAS, Lattice agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over Lattice, under the Regulations, in connection with the matters alleged in the proposed charging letter.
2. The following sanctions shall be imposed against Lattice in complete settlement of the violations of the Regulations set forth in the proposed charging letter:
 - a. Lattice shall be assessed a civil penalty in the amount of \$560,000 which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the Order.
 - b. The timely payment of the civil penalty agreed to in paragraph 2.a. is hereby made a condition to the granting, restoration, or continuing validity or any export license, permission, or privilege granted, or to be granted, to Lattice. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Lattice's export privileges for a period of one year from the date of imposition of the penalty.
3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, Lattice hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the Order, if entered), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in the proposed charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if entered; (c) request any relief from the Order, if entered, including without limitation relief from

the terms of a denial order under 15 C.F.R. § 764.3(a)(2); and (d) seek judicial review or otherwise contest the validity of this Agreement or the Order, if entered.

4. Upon entry of the Order and timely payment of the \$560,000 civil penalty, BIS will not initiate any further administrative proceeding against Lattice in connection with any violation of the Act or the Regulations arising out of the transactions identified in the proposed charging letter.

5. BIS will make the proposed charging letter, this Agreement, and the Order, if entered, available to the public.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances addressed herein.

8. This Agreement shall become binding on BIS only if the Assistant Secretary of Commerce for Export Enforcement approves it by entering the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

the terms of a denial order under 15 C.F.R. § 764.3(a)(2); and (d) seek judicial review or otherwise contest the validity of this Agreement or the Order, if entered.

4. Upon entry of the Order and timely payment of the \$560,000 civil penalty, BIS will not initiate any further administrative proceeding against Lattice in connection with any violation of the Act or the Regulations arising out of the transactions identified in the proposed charging letter.

5. BIS will make the proposed charging letter, this Agreement, and the Order, if entered, available to the public.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

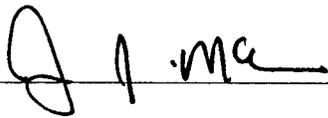
7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances addressed herein.

8. This Agreement shall become binding on BIS only if the Assistant Secretary of Commerce for Export Enforcement approves it by entering the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

BUREAU OF INDUSTRY AND SECURITY
U.S. DEPARTMENT OF COMMERCE

LATTICE SEMICONDUCTOR CORPORATION



Acting Director
Office of Export Enforcement

Date: 9/10/04



Martin Baker
Vice President & General Counsel

Date: Sept. 7, 2004

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:)
)
Lattice Semiconductor Corporation)
5555 NE Moore Court)
Hillsboro, Oregon 97124)
)
Respondent.)
)

ORDER

The Bureau of Industry and Security, United States Department of Commerce (“BIS”) having notified Lattice Semiconductor Corporation (“Lattice”) of its intention to initiate an administrative proceeding against Lattice pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2004)) (“Regulations”),¹ and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”),² based on the proposed charging letter issued to Lattice that alleged that Lattice committed 12 violations of the Regulations. Specifically, the charges are:

¹ The violations charged occurred in 2000 - 2002. The Regulations governing the violations at issue are found in the 2000, 2001, and 2002 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000-2002)). The 2004 Regulations establish the procedures that apply to this matter.

² From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was issued on August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized and it remained in effect through August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended by the Notice of August 6, 2004 (69 *Fed. Reg.* 48763 (August 10, 2004)), has continued the Regulations in effect under the IEEPA.

1. *Six Violations of 15 C.F.R. §764.2(a) - Engaging in Prohibited Conduct:* On six occasions, between on or about April 14, 2000 and on or about July 6, 2001, Lattice exported extended temperature range programmable logic devices, classified under Export Control Classification Number (“ECCN”) 3A001.a.2.c, to China via Hong Kong without obtaining authorization from BIS, as required by Section 742.4 of the Regulations. Items classified under ECCN 3A001.a.2.c are controlled for reasons of national security.
2. *Five Violations of 15 C.F.R. §764.2(a) - Engaging in Prohibited Conduct:* On five occasions, between on or about July 23, 2000 and on or about January 2, 2002, Lattice exported technical data to China, classified under ECCN 3E001, without obtaining proper authorization from BIS, as required by Section 742.4 of the Regulations. In each case, the technical data was released in the United States to a national of China and is deemed to be an export of the technical data to China under Section 734.2(b)(ii) of the Regulations. Items classified under ECCN 3E001 are controlled for reasons of national security.
3. *One Violation of 15 C.F.R. §764.2(a) - Engaging in Prohibited Conduct:* Between in or about August, 2000 and in or about September, 2001, Lattice exported technical data to China, classified under ECCN 3E001, without obtaining proper authorization from BIS, as required by Section 742.4 of the Regulations. Items classified under ECCN 3E001 are controlled for reasons of national security.

BIS and Lattice having entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein, and the terms of the Settlement Agreement having been approved by me;

IT IS THEREFORE ORDERED:

FIRST, that a civil penalty of \$560,000 is assessed against Lattice which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

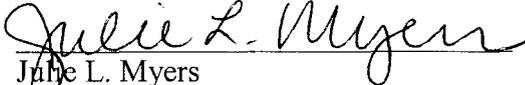
SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, Lattice will be assessed, in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, that the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, License Exception, permission, or privilege granted, or to be granted, to Lattice. Accordingly, if Lattice should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Lattice's export privileges for a period of one year from the date of entry of this Order.

FOURTH, that the proposed charging letter, the Settlement Agreement, and this Order shall be made available to the public.

Order
Lattice Semiconductor Corporation
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This Order, which constitutes the final agency action in this matter, is effective immediately.


Julie L. Myers
Assistant Secretary of Commerce
for Export Enforcement

Entered this 13th day of September 2004.