ALTRIA GROUP, INC.
Form 8-K
November 12, 2015

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): November 11, 2015

ALTRIA GROUP, INC.
(Exact name of registrant as specified in its charter)

Virginia	1-08940	13-3260245
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

6601 West Broad Street, Richmond, Virginia	23230
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (804) 274-2200
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

.. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

.. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

.. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

.. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01. Regulation FD Disclosure.

On November 11, 2015, Altria Group, Inc. issued a press release in connection with the firm offer by Anheuser-Busch InBev SA/NV to effect a business combination with SABMiller plc in a cash and stock transaction valued at approximately $107 billion. A copy of the press release is attached as Exhibit 99.1 and incorporated by reference in this Current Report on Form 8-K.

In accordance with General Instruction B.2 of Form 8-K, the information in Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information in Item 7.01 of this Current Report on Form 8-K shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

Item 8.01. Other Events.

On November 11, 2015, Anheuser-Busch InBev SA/NV ("AB InBev") announced its firm offer to effect a business combination with SABMiller plc ("SABMiller") in a cash and stock transaction valued at approximately $107 billion. Under the terms of the transaction, SABMiller shareholders will receive 44 British pounds in cash for each SABMiller share, with a partial share alternative ("PSA") available for approximately 41% of the SABMiller shares.

Under the terms of the PSA, SABMiller shareholders may elect to receive for each SABMiller share held (i) 0.483969 restricted shares (the "Restricted Shares") in a newly formed Belgian company ("NewCo") that will own the combined SABMiller and AB InBev business plus (ii) 3.7788 British pounds in cash. On November 10, 2015, the Board of Directors of Altria Group, Inc. ("Altria") authorized Altria to provide an irrevocable undertaking to vote Altria's shares of SABMiller in favor of the proposed transaction and to elect the PSA (the "Irrevocable Undertaking"). Altria delivered the Irrevocable Undertaking on November 11, 2015.

If the transaction is completed, NewCo will acquire SABMiller and, following the closing of that acquisition, AB InBev will merge into NewCo. Altria expects to exchange its approximate 27% economic and voting interest in SABMiller for an interest that will be converted into Restricted Shares representing an approximate 10.5% economic and voting interest in NewCo plus approximately $2.5 billion in cash (subject to proration as further described below).

The Restricted Shares of NewCo will:

- be unlisted and not admitted to trading on any stock exchange;
- be subject to a five-year lock-up from closing (subject to limited exceptions);
- be convertible into ordinary shares of NewCo on a one-for-one basis after the end of this five-year lock-up period;
- rank equally with ordinary shares of NewCo with regards to dividends and voting rights; and
- have director nomination rights with respect to NewCo.

With the exception of the cash consideration Altria expects to receive in the transaction, Altria expects that the transaction will result in a deferral of United States corporate income tax for Altria. Altria and

AB InBev have entered into a tax matters agreement providing for certain covenants, representations and warranties and indemnification obligations of AB InBev and NewCo in connection with the tax treatment of the transaction and the provision of information necessary to assist Altria in connection with its United States federal income tax reporting (the "Tax Matters Agreement").

Based on the anticipated structure of the transaction, Altria expects to account for its investment in NewCo under the equity method of accounting. Altria and AB InBev have entered into an information rights agreement pursuant to which, following completion of the transaction, NewCo will provide Altria with certain financial information necessary to assist Altria in connection with its financial reporting, financial controls and financial planning (the "Information Rights Agreement").

Upon closing of the transaction, Altria estimates that it will record a one-time pre-tax accounting gain of approximately $12 billion, or $8 billion after-tax. This estimate is based on the AB InBev share price and British pound to United States dollar exchange rate as of November 10, 2015, and the book value of Altria's investment in SABMiller at September 30, 2015. The actual gain recorded at closing may vary significantly from this estimate based on changes to these factors and any proration of Restricted Shares as discussed further below.

If the transaction is completed, Altria expects to receive Restricted Shares under the PSA representing approximately 10.5% economic and voting interest in NewCo; however, the number of shares that Altria receives and its corresponding percentage ownership of NewCo at closing are subject to proration because the PSA limits the maximum number of shares that may be issued under the offer to 326 million NewCo Restricted Shares. To the extent that elections for the PSA exceed this maximum number and cannot be satisfied in full, the equity portion of all PSA elections will be adjusted downwards on a pro rata basis. It is possible that significant proration could (i) reduce Altria's projected percentage ownership of NewCo; (ii) increase the amount of cash that Altria receives; (iii) increase the amount of the pre-tax gain recorded by Altria; (iv) impose additional tax liabilities on Altria; and (v) impact Altria's ability to account for its investment in NewCo under the equity method of accounting.

The transaction is subject to certain closing conditions, including without limitation shareholder approvals of both SABMiller and AB InBev, and receiving the required regulatory approvals.

On November 11, 2015 Altria entered into a derivative financial instrument to hedge Altria's exposure to the British pound in conjunction with the cash consideration that Altria expects to receive under the PSA. This derivative financial instrument does not qualify for hedge accounting; therefore changes in the fair value of this instrument will be recorded as a reported pre-tax gain or loss on Altria's consolidated statement of earnings in the periods the changes occur.

The foregoing descriptions of the Irrevocable Undertaking, the Tax Matters Agreement and the Information Rights Agreement do not purport to be complete and are qualified in their entirety by reference to the full text of the Irrevocable Undertaking, the Tax Matters Agreement and the Information Rights Agreement, copies of which are attached as Exhibit 99.2, Exhibit 99.3 and Exhibit 99.4, respectively, and incorporated by reference in this Current Report on Form 8-K.

Forward-Looking and Cautionary Statements

This Current Report on Form 8-K contains forward-looking statements that involve a number of risks and uncertainties and are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Important factors that may cause actual results and outcomes to differ materially from those contained in the forward-looking statements included in this Current Report on Form 8-K are described in Altria's publicly filed reports, including its Annual Report on Form 10-K for the year ended December 31, 2014 and its Quarterly Report on Form 10-Q for the period ended September 30, 2015. In addition, the factors related to AB InBev's proposed transaction to effect a business combination with SABMiller include the following: the risk that one or more conditions to closing the proposed transaction may not be satisfied; the risk that a shareholder or regulatory approval required for the proposed transaction is not obtained or is obtained subject to conditions that are not anticipated; AB InBev's inability to achieve the contemplated synergies and value creation from the proposed transaction; the fact that Altria's election to receive transaction consideration in the form of equity is subject to proration, which may result in a reduced percentage ownership of the combined company, additional tax liabilities and/or changes in Altria's accounting treatment of the investment; the fact that the equity securities to be received by Altria as transaction consideration will be subject to restrictions on transfer lasting five years from completion of the proposed transaction; the risk that AB InBev's share price, which affects the value of Altria's transaction consideration, will fluctuate based on a variety of factors which are beyond Altria's control; the fact that the strengthening of the U.S. dollar against the British pound would adversely affect Altria's cash consideration as the British pound would translate into fewer U.S. dollars; and the risk that the tax treatment of Altria's transaction consideration is not guaranteed and that the tax treatment of the dividends Altria receives from NewCo may not be as favorable as dividends from SABMiller.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1	Altria Group, Inc. Press Release, dated November 11, 2015 (furnished under Item 7.01)
99.2	Deed of Irrevocable Undertaking, dated November 11, 2015, between Altria Group, Inc. and Anheuser-Busch InBev SA/NV
99.3	Tax Matters Agreement, dated November 11, 2015, between Altria Group, Inc. and Anheuser-Busch InBev SA/NV
99.4	Information Rights Agreement, dated November 11, 2015, between Altria Group, Inc. and Anheuser-Busch InBev SA/NV

SIGNATURES

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

ALTRIA GROUP, INC.

By:	/s/ W. HILDEBRANDT SURGNER, JR.
Name:	W. Hildebrandt Surgner, Jr.
Title:	Corporate Secretary and Senior Assistant General Counsel

DATE: November 12, 2015

EXHIBIT INDEX

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ASC 718, “Compensation-Stock Compensation (“ASC 718”),” requires that we recognize compensation expense for only the portion of employee and director options and ESPP rights that are expected to vest.

The fair value of each option award is estimated on the date of grant using the Black-Scholes valuation model and the assumptions noted in the following table. Beginning January 1, 2006, in connection with the adoption of ASC 718, the Company examined the historical pattern of option exercises in an effort to determine if there were any discernible activity patterns based on certain employee populations. From this analysis, the Company identified two employee populations. Prior to January 3, 2009, the Company used the simplified method as prescribed by the SEC's Staff Accounting Bulletin No. 107. The Company now believes that it has sufficient internal historical data to refine the expected term assumption. As such, the expected term computation is based on historical vested option exercises and includes an estimate of the expected term for options that were fully vested and outstanding at January 3, 2009 for each of the two populations identified. The expected volatility of both stock options and ESPP shares is based on the daily historical volatility of our stock price, measured over the expected term of the option or the ESPP purchase period. The risk-free interest rate is based on the implied yield on a U.S. Treasury zero-coupon issue with a remaining term closest to the expected term of the option. The dividend yield reflects that we have not paid any cash dividends since inception and do not intend to pay any cash dividends in the foreseeable future.

	Year Ended December 28, 2013	December 29, 2012	December 31, 2011
Employee and Director Stock Options			
Expected volatility (%)	51.4 to 54.3	58.1 to 59.5	57.4 to 61.9
Risk-free interest rate (%)	.007 to .01	.006 to .01	.003 to .02

Expected term (in years)	4.09 to 4.53	4.09 to 4.47	4.05 to 4.37
Dividend yield	—%	—%	—%
Employee Stock Purchase Plan			
Weighted average expected volatility (%)	48.0	50.0	48.1
Weighted average risk-free interest rate (%)	0.11	0.12	0.14
Expected term (in years)	0.50	0.50	0.50
Dividend yield	—%	—%	—%

At December 28, 2013, there was $10.9 million of total unrecognized compensation cost related to unvested employee and director stock options, which is expected to be recognized over a weighted average period of 4.8 years. Our current practice is to issue new shares to satisfy option exercises. Compensation expense for all stock-based compensation awards is recognized using the straight-line method.

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The following table summarizes our stock option activity and related information for the year ended December 28, 2013 (shares and aggregate intrinsic value in thousands):

	Shares	Weighted average exercise price	Weighted average remaining contractual term (years)	Aggregate Intrinsic Value
Balance, December 29, 2012	9,528	$4.74		
Granted	3,167	5.01		
Exercised	(990)	2.38		
Forfeited or expired	(1,264)	6.09		
Balance, December 28, 2013	10,441	$4.88		
Vested and expected to vest at December 28, 2013	10,441	$4.88	4.80	$8,220
Exercisable, December 28, 2013	5,323	$4.46	3.81	$6,450

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the Company's closing stock price on the last trading day of the fiscal year and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on that day. This amount changes based on the fair market value of the Company's stock. Total intrinsic value of options exercised for fiscal 2013, 2012 and 2011, and was $2.5 million, $3.4 million and $6.6 million, respectively. The total fair value of options and RSUs vested and expensed in fiscal 2013, 2012 and 2011 and was $9.3 million, $7.4 million and $6.0 million, respectively.

The resultant grant date weighted-average fair values calculated using the Black-Scholes option pricing model and the noted assumptions for stock options granted were $2.10, $2.74 and $2.92 for fiscal years 2013, 2012 and 2011, respectively. The weighted average fair values calculated using the Black-Scholes option pricing model for the ESPP were $1.29, $1.35, $1.80 for fiscal years 2013, 2012 and 2011, respectively.

The following table summarizes our RSU activity for the year ended December 28, 2013 (shares in thousands):

	Shares	Weighted average grant date fair value
Balance at December 29, 2012	1,078	$6.15
Granted	1,735	5.22
Vested	(524)	5.91
Forfeited	(99)	5.68
Balance at December 28, 2013	2,190	$5.49

At December 28, 2013, there was $9.5 million of total unrecognized compensation cost related to unvested RSUs. Our current practice is to issue new shares when RSUs vest. Compensation expense for RSUs is recognized using the straight-line method over the related vesting period.

At December 28, 2013, a total of 6.8 million shares of our common stock were available for future grants under our stock option plans. Shares subject to stock option grants that expire or are canceled without delivery of such shares generally become available for re-issuance under these plans. At December 28, 2013, a total of 2.8 million shares of our common stock were available for future purchases under our ESPP.

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(14) Employee Benefit Plans:

Qualified Investment Plan

In 1990, we adopted a 401(k) plan, which provides participants with an opportunity to accumulate funds for retirement. The plan does not allow investments in the Company's common stock. The plan allows for the Company to make discretionary matching contributions in cash. The Company recorded no matching contributions in fiscal 2013, but matched contributions for a total of $0.8 million in fiscal 2012 and $0.8 million in fiscal 2011.

Executive Deferred Compensation Plan

We initiated an Executive Deferred Compensation Plan effective August 1997. Under the provisions of this plan, as approved by the Board of Directors, certain senior executives may annually defer up to 75% of their salary and up to 100% of their incentive compensation. The return on deferred funds is based upon the performance of designated mutual funds. There is no guaranteed return or matching contribution. We paid out $0.1 million, $0.3 million and $0.3 million of the deferred compensation balance in fiscal 2013, 2012 and 2011, respectively. Balances at December 28, 2013 and December 29, 2012 of $0.1 million and $0.1 million, respectively, are reflected in Long-term liabilities in our accompanying Consolidated Balance Sheets and the related assets are included in Other long-term assets in our accompanying Consolidated Balance Sheets. The deferred compensation amounts are unsecured obligations, but we have made corresponding contributions to a trust fund owned by the Company for the benefit of deferred compensation plan participants. The trust fund invests in mutual funds in the manner directed by participants pursuant to provisions of the plan. The mutual funds are accounted for as trading securities and are marked to market.

2011 Cash Incentive Plan

On February 1, 2011, upon the recommendation of the Compensation Committee, the Board of Directors of the Company approved the FY2011 Cash Incentive Plan (the “2011 Plan”). The Chief Executive Officer, other executive officers, and other members of senior management, including vice presidents and director-level employees, together with all other employees of the Company not on the Company's sales incentive plan, were eligible to participate in the 2011 Plan. Under the 2011 Plan, individual cash incentive payments for the Chief Executive Officer and other executive officers would be based both on Company performance, as measured by achievement of operating income (before incentive plan accruals) and revenue goals within specified ranges established by the Compensation Committee, and individual performance, as measured by the achievement of personal management objectives, with each of these components representing one-third of the potential cash incentive award. On February 6, 2012, the Compensation Committee approved $2.6 million under the provisions of the 2011 Plan, which was paid in February of 2012.

2012 Incentive Plan

On February 7, 2012, upon the recommendation of the Compensation Committee, the Board of Directors of the Company approved the FY2012 Incentive Plan (the “2012 Plan”). The chief executive officer and other executive officers are eligible to participate in the 2012 Plan. Under the 2012 Plan, individual cash incentive payments and restricted stock unit grants for the chief executive officer and other executive officers will be based both on Company financial performance, as measured by achievement of operating income (before incentive plan accruals) and revenue goals within specified ranges established by the Compensation Committee, and Company performance, as measured by the achievement of personal management objectives. The Compensation Committee will determine the performance of the chief executive officer, the chief financial officer and other participants based on the achievement of the management objectives established by the committee during the first fiscal quarter of 2012. There was no expense recorded under this plan during fiscal 2012.

2013 Incentive Plan

On February 4, 2013, upon the recommendation of the Compensation Committee, the Board of Directors of the Company approved the 2013 Cash Incentive Plan (the “2013 Plan”). The chief executive officer and other executive officers are eligible to participate in the 2013 Plan. Under the 2013 Plan, individual cash incentive payments and restricted stock unit grants for the chief executive officer and other executive officers will be based both on Company financial performance, as measured by achievement of operating income (before incentive plan accruals) and revenue goals within specified ranges established by the Compensation Committee, and Company performance, as measured by the achievement of personal management objectives. The Compensation Committee will determine the performance of the chief executive officer, the chief financial officer and other participants based on the achievement of the management objectives established by the committee during the first fiscal quarter of 2013. There was $11.3 million of expense recorded under this plan in fiscal 2013.

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(15) Legal Matters:

On June 11, 2007, a patent infringement lawsuit was filed by Lizy K. John (“John”) against us in the U.S. District Court for the Eastern District of Texas, Marshall Division. In the complaint, John seeks an injunction, unspecified damages, and attorneys' fees and expenses. We filed a request for re-examination of the patent by the U.S. Patent and Trademark Office (“PTO”), which was granted by the PTO. The litigation was stayed pending the results of the re-examination. After the re-examination concluded, the stay was lifted on January 1, 2012, and the lawsuit was transferred by consent of the parties to the Northern District of California. We also filed a request for a second re-examination of the patent, which was granted but is currently on appeal at the Patent Trial and Appeal Board. Discovery is open and proceeding. On February 14, 2014, the District Court held a claim construction hearing and a hearing on the Company's motion for summary judgment of invalidity. The court has not yet ruled on the issues raised at the hearings. Trial is scheduled for December 8, 2014. At this stage of the proceedings, we do not have an estimate of the likelihood or the amount of any potential exposure to us. We believe we possess defenses to these claims and intend to vigorously defend this litigation. It is reasonably possible that the actual losses may exceed our accrued liabilities, however, we cannot currently estimate such amount.

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. Periodically, we review the status of each significant matter and assess its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and a range of possible losses can be estimated, we then accrue a liability for the estimated loss based on the provisions of FASB ASC 450, “Contingencies" (“ASC 450”). Legal proceedings are subject to uncertainties, and the outcomes are difficult to predict. Because of such uncertainties, accruals are based only on the best information available at the time. As additional information becomes available, we reassess the potential liability related to pending claims and litigation and may revise estimates. Presently, no accrual has been estimated under ASC 450 for potential losses that may or may not arise from the current lawsuits in which we are involved.

(16) Valuation and Qualifying Accounts:

The following table displays the activity related to changes in our valuation and qualifying accounts (in thousands):

Classification	Balance at beginning of period	Charged (Credit) to costs and expenses	Charged to other accounts	Write-offs net of recoveries	Balance at end of period
Fiscal year ended December 28, 2013:					
Allowance for deferred taxes	149,209	1,636	(317)	—	150,528
Allowance for doubtful accounts	1,122	41	—	(285)	878
Allowance for warranty expense	—	—	—	—	—
	150,331	1,677	(317)	(285)	151,406
Fiscal year ended December 29, 2012:					
Allowance for deferred taxes	$147,499	$1,652	$58	$—	$149,209
Allowance for doubtful accounts	939	286	—	(103)	1,122
Allowance for warranty expense	—	—	—	—	—
	$148,438	$1,938	$58	$(103)	$150,331
Fiscal year ended December 31, 2011:					
Allowance for deferred taxes	$271,208	$(123,709)	$—	$—	$147,499

Allowance for doubtful accounts	866	73	—	—	939
Allowance for warranty expense	99	—	—	(99)	—
	$272,173	$(123,636)	$—	$(99)	$148,438

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(17) 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):

	Year Ended								
	December 28, 2013			December 29, 2012			December 31, 2011		
United States:	$28,506	9	%	$34,172	12	%	44,847	14	%
China	148,018	45		113,585	41		123,124	39	
Europe	47,459	14		48,202	17		66,319	21	
Japan	26,538	8		35,696	13		36,961	11	
Taiwan	6,708	2		8,276	3		8,346	3	
Other Asia	64,425	19		32,254	11		32,687	10	
Other Americas	10,871	3		7,071	3		6,082	2	
Total foreign revenue	304,019	91		245,084	88		273,519	86	
Total revenue	$332,525	100	%	$279,256	100	%	$318,366	100	%

We assign revenue to geographies based on the customer ship-to address at the point where revenue is recognized. In the case of sell-in distributors and OEM customers, revenue is typically recognized, and geography is assigned, when products are shipped to our distributor or customer. In the case of sell-through distributors, revenue is recognized when resale occurs and geography is assigned based on the customer location on the resale reports provided by the distributor.

Revenue by Distributors

Our largest customers are often distributors and sales through distributors have historically made up a significant portion of our total revenue. Revenue attributable to resales of products by our primary distributors are as follows:

	% of Total Revenue					
	2013		2012		2011	
Arrow Electronics Inc. (including Nu Horizons Electronics)	25	%	33	%	22	%
Weikeng Group	12		14		14	
All others	8		8		25	
All sell-through distributors	45	%	55	%	61	%

Orders from our sell-through distributors are initially recorded at published list prices; however, for a majority of our sales, the final selling price is determined at the time of resale and in accordance with a distributor price agreement. In certain circumstances, we allow sell-through distributors to return unsold products. At times, we protect our sell-through distributors against reductions in published list prices. For these reasons, we do not recognize revenue until products are resold by sell-through distributors to an end customer.

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(18) Quarterly Financial Data (Unaudited):

A summary of the Company's consolidated quarterly results of operations is as follows (in thousands, except per share data):

	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	$89,519	$87,154	$84,694	$71,158	$65,875	$70,889	$70,792	$71,700
Gross margin	$48,603	$46,376	$45,110	$38,155	$35,673	$38,548	$37,051	$39,485
Restructuring charges (adjustment)	$131	$85	$19	$153	$5,375	$—	$87	$556
Net income (loss)	$6,547	$8,844	$5,040	$1,890	$(7,175)	$(2,175)	$(12,542)	$(7,714)
Basic net income (loss) per share	$0.06	$0.08	$0.04	$0.02	$(0.06)	$(0.02)	$(0.11)	$(0.07)
Diluted net income (loss) per share	$0.06	$0.08	$0.04	$0.02	$(0.06)	$(0.02)	$(0.11)	$(0.07)

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Lattice Semiconductor Corporation:

We have audited the accompanying consolidated balance sheets of Lattice Semiconductor Corporation and subsidiaries as of December 28, 2013 and December 29, 2012, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the years in the three year period ended December 28, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lattice Semiconductor Corporation and subsidiaries as of December 28, 2013 and December 29, 2012, and the results of their operations and their cash flows for each of the years in the three year period ended December 28, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Lattice Semiconductor Corporation's internal control over financial reporting as of December 28, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 11, 2014, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP
Portland, Oregon
March 11, 2014

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Lattice Semiconductor Corporation:

We have audited Lattice Semiconductor Corporation's internal control over financial reporting as of December 28, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Lattice Semiconductor Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Lattice Semiconductor Corporation maintained, in all material respects, effective internal control over financial reporting as of December 28, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Lattice Semiconductor Corporation and subsidiaries as of December 28, 2013 and December 29, 2012, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 28, 2013, and our report dated March 11, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
Portland, Oregon
March 11, 2014

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Item 9. Changes in and Disagreements with Accountants On Accounting and Financial Disclosure.

None.

Item 9A. 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 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 annual report.

Management's Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) or 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding reliability of financial reporting and the preparation and fair presentation of published financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the company's internal control over financial reporting as of December 28, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework (1992). Based on this assessment, management concluded that, as of December 28, 2013, the Company's internal control over financial reporting was effective.

KPMG LLP, an independent registered public accounting firm, has audited the Company's financial statements in this report on Form 10-K and issued its report on the effectiveness of the Company's internal control over financial reporting as of December 28, 2013.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting (as defined in Rules 13a - 15(f) and 15(d) - 15(f) under the Exchanges Act) that occurred during the fourth quarter of fiscal 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

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PART III

Certain information required by Part III is incorporated by reference from our definitive proxy statement (the "Proxy Statement") for the 2014 Annual Meeting of Stockholders, pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, which we will file not later than 120 days after the end of the fiscal year covered by this report. With the exception of the information expressly incorporated by reference from the Proxy Statement, the Proxy Statement is not to be deemed filed as a part of this report.

Item 10. Directors, Executive Officers and Corporate Governance.

Information regarding our directors that is required by this item is incorporated by reference from the information contained under the captions "Proposal 1: Election of Directors" and "Corporate Governance and Other Matters--Board Meetings and Committees" in the Proxy Statement. Information regarding our executive officers that is required by this item is set forth in Part I of this report under the caption "Executive Officers of the Registrant."

Information regarding Section 16(a) reporting compliance that is required by this item is incorporated by reference from the information contained under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

We have adopted a Code of Conduct that applies to all of our employees, including our principal executive officer, principal financial officer, principal accounting officer, and persons performing similar functions. The Code of Conduct is posted on our website at www.latticesemi.com. We revised our Code of Conduct effective January 2014. Amendments to the Code of Conduct or any grant of a waiver from a provision of the code of ethics requiring disclosure under applicable SEC rules, if any, will be disclosed on our website at www.latticesemi.com.

Information about our "Director Code of Ethics" and written committee charters for our Audit Committee, Compensation Committee, and Nominating and Governance Committee are available free of charge on the Company's website at www.latticesemi.com and are available in print to any shareholder upon request.

There have been no material changes to the procedures by which security holders may recommend nominees to our Board of Directors since the filing of our Annual Report on Form 10-K for the year ended December 29, 2012. The procedures by which security holders may recommend nominees to our Board of Directors were described in detail in the information concerning our Nominating and Governance Committee under the caption "Board Meetings and Committees" in our Proxy Statement filed March 18, 2013.

Information regarding our Audit Committee that is required by this Item is incorporated by reference from the information concerning our Audit Committee contained under the caption "Corporate Governance and Other Matters--Board Meetings and Committees" in the Proxy Statement.

Item 11. Executive Compensation.

The information contained under the captions "Executive Compensation," "Compensation Committee Interlocks and Insider Participation," and "Compensation Committee Report" in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information contained under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information contained under the captions entitled “Certain Relationships and Related Transactions” and “Corporate Governance and Other Matters--Director Independence” in the Proxy Statement is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information contained under the caption entitled “Audit and Related Fees” in the Proxy Statement is incorporated herein by reference.

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PART IV

Item 15. Exhibits.

(a) List of Documents Filed as Part of this Report

(1) All financial statements.

The following financial statements are filed as part of this report under Item 8.

All other schedules have been omitted because the required information is included in the Consolidated Financial Statements or the notes thereto, or is not applicable or required.

(2) Exhibits.

Exhibit Number	Description
3.1	The Company’s Restated Certificate of Incorporation filed, as amended on June 4, 2009 (Incorporated by reference to Exhibit 3.1 filed with the Company's Current Report on Form 8-K filed June 4, 2009).
3.2	The Company’s Bylaws, as amended and restated as of June 4, 2009 (Incorporated by reference to Exhibit 3.2 filed with the Company’s Current Report on Form 8-K filed June 4, 2009).
10.24*	Lattice Semiconductor Corporation 1996 Stock Incentive Plan, as amended, and Related Form of Option Agreement (Incorporated by reference to Exhibit 10.24 filed with the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2012).
10.33*	2001 Outside Directors' Stock Option Plan, as amended and restated (Incorporated by reference to Exhibit 10.33 filed with the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2012).
10.34*	2001 Stock Plan, as amended, and related Form of Option Agreement (Incorporated by reference to Exhibit 10.34 filed with the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2012).

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 fiscal 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).

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Exhibit Number	Description
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 fiscal year ended January 3, 2004).
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).
10.56*	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).
10.63*	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 for the fiscal year ended January 3, 2009).
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 for the fiscal year ended January 3, 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).
10.69*	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 for the fiscal year ended January 2, 2010).
10.70*	Employment Agreement between Lattice Semiconductor Corporation and Darin G. Billerbeck dated as of November 8, 2010 (Incorporated by reference to Exhibit 10.70 filed with the Company's Quarterly Report on Form 10-Q for the quarter ended October 2, 2010).
10.71*	Employment Agreement between Lattice Semiconductor Corporation and Joe Bedewi dated as of April 11, 2011. (Incorporated by reference to Exhibit 10.71 filed with the Company's Quarterly Report on Form 10-Q for the quarter ended April 2, 2011).
10.72*	Lattice Semiconductor Corporation 2012 Employee Stock Purchase Plan (incorporated by reference to Annex 1 to the Company's Definitive Proxy Statement on Schedule 14A for the 2012 Annual Meeting of Stockholders filed on April 12, 2012).
10.74*	Lattice Semiconductor Corporation Amended 2011 Non-Employee Director Equity Incentive Plan (Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A for the 2013 Annual Meeting of Stockholders filed on March 18, 2013).
10.75*	Lattice Semiconductor Corporation 2013 Incentive Plan (Incorporated by reference to Appendix B to the Company's Definitive Proxy Statement on Schedule 14A for the 2013 Annual Meeting of Stockholders filed on March 18, 2013).

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Exhibit Number	Description
21.1	Subsidiaries of the Registrant.
23.1	Consent of Independent Registered Public Accounting Firm.
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.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* 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.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)
By: /s/ JOE BEDEWI
Joe Bedewi
Corporate Vice President and
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial and Accounting Officer)

Date: March 11, 2014

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Darin G. Billerbeck and Joe Bedewi, or either of them, his or her attorneys-in-fact, each with the power of substitution, for such person in any and all capacities, to sign any amendments to this report and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that either of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated and on the dates indicated:

Signature	Title	Date
/s/ DARIN G. BILLERBECK Darin G. Billerbeck	President, Chief Executive Officer and Director (Principal Executive Officer)	March 11, 2014
/s/ JOE BEDEWI Joe Bedewi	Corporate Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 11, 2014
/s/ ROBIN ABRAMS Robin Abrams	Director	March 11, 2014
/s/ JOHN BOURGOIN John Bourgoin	Director	March 11, 2014
/s/ Robert Herb Robert Herb	Director	March 11, 2014
/s/ Mark Jensen Mark Jensen	Director	March 11, 2014
/s/ Patrick S. Jones Patrick S. Jones	Director	March 11, 2014
/s/ BALAJI KRISHNAMURTHY Balaji Krishnamurthy	Director	March 11, 2014

/s/ GERHARD H. PARKER Gerhard H. Parker	Director	March 11, 2014
Hans Schwarz	Director	

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