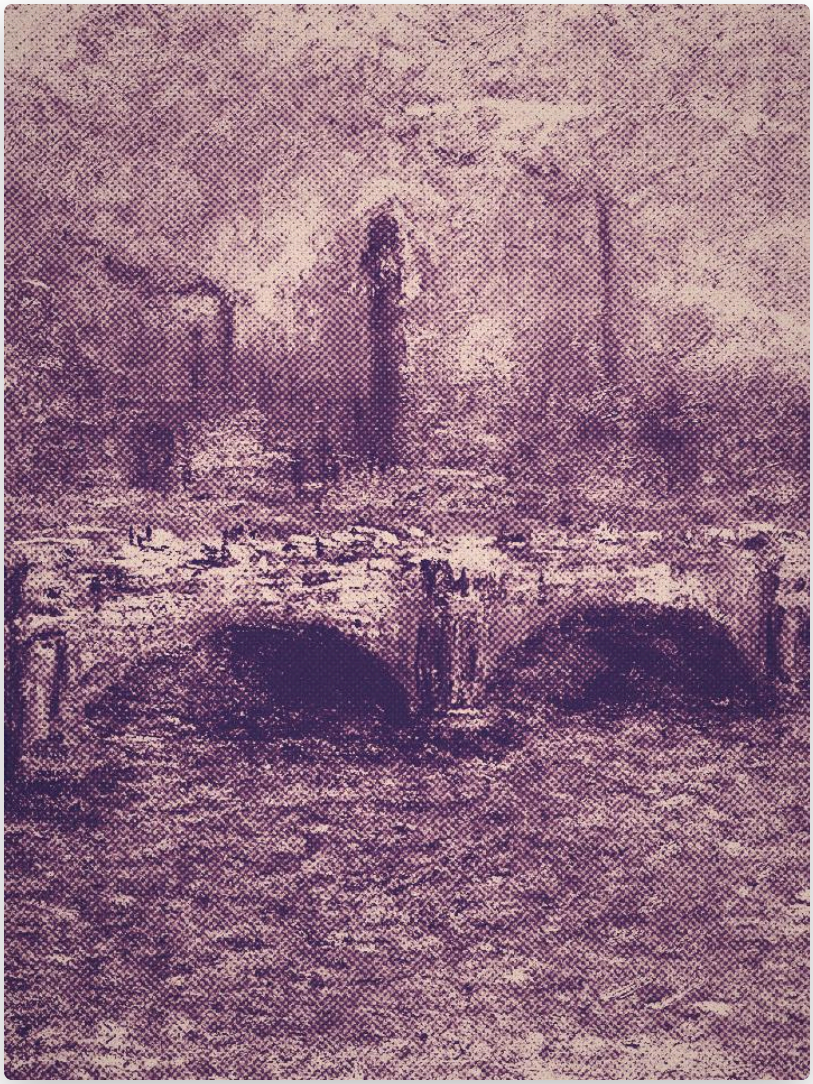
FORM S-1 · REGISTRATION STATEMENT

Globespanvirata Inc

IPO priced 1999-06-23 · $15.00 a share · GSPN



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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 29, 1999.

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549

FORM S-1 REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

GLOBESPAN SEMICONDUCTOR INC. (EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	3674	75-2658218
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

100 SCHULZ DRIVE RED BANK, NJ 07701 (732) 345-7500 (ADDRESS, INCLUDING ZIP CODE AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES) ROBERT J. MCMULLAN CHIEF FINANCIAL OFFICER GLOBESPAN SEMICONDUCTOR INC. 100 SCHULZ DRIVE RED BANK, NJ 07701 (732) 345-7500 (NAME, ADDRESS, INCLUDING ZIP CODE AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

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PROFESSIONAL CORPORATION
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(650) 493-9300

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT.

IF ANY OF THE SECURITIES BEING REGISTERED ON THIS FORM ARE TO BE OFFERED ON A DELAYED OR CONTINUOUS BASIS PURSUANT TO RULE 415 UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), CHECK THE FOLLOWING BOX. [ ] IF THIS FORM IS FILED TO REGISTER ADDITIONAL SECURITIES FOR AN OFFERING PURSUANT TO RULE 462(B) UNDER THE SECURITIES ACT, PLEASE CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING. [ ] _____ IF THIS FORM IS A POST-EFFECTIVE AMENDMENT FILED PURSUANT TO RULE 462(C) UNDER THE SECURITIES ACT, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING. [ ] _____ IF DELIVERY OF THE PROSPECTUS IS EXPECTED TO BE MADE PURSUANT TO RULE 434, PLEASE CHECK THE FOLLOWING BOX. [ ] CALCULATION OF REGISTRATION FEE

TITLE OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)(2)	AMOUNT OF REGISTRATION FEE
Common Stock ($0.001 par value).....	$55,000,000	$15,290

(1) INCLUDES SHARES THAT THE UNDERWRITERS HAVE THE OPTION TO PURCHASE TO COVER OVER-ALLOTMENTS, IF ANY.

(2) ESTIMATED SOLELY FOR THE PURPOSE OF COMPUTING THE AMOUNT OF THE REGISTRATION FEE PURSUANT TO RULE 457(O). REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT THAT SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SUCH SECTION 8(A), MAY DETERMINE.

SUBJECT TO COMPLETION -- MARCH 29, 1999

PROSPECTUS , 1999

GLOBESPAN SEMICONDUCTOR INC. LOGO SHARES OF COMMON STOCK

GLOBESPAN SEMICONDUCTOR INC.:

- - WE ARE A LEADING WORLDWIDE DEVELOPER OF CHIP SETS FOR DIGITAL SUBSCRIBER LINE (DSL) PRODUCTS.

- - GLOBESPAN SEMICONDUCTOR INC. 100 SCHULZ DRIVE RED BANK, NEW JERSEY 07701 (732) 345-7500

PROPOSED SYMBOL & MARKET:

- - GSPN/NASDAQ

The Offering:

- - We are offering all of the shares in this offering.

- - The underwriters have an option to purchase an additional shares from us to cover over-allotments.

- - This is our initial public offering and no public market currently exists for our shares. We anticipate that the initial public offering price will be between $ and $ per share.

- - We plan to use the net proceeds from this offering for working capital, repayment of certain indebtedness, potential acquisitions of technology or businesses and other general corporate purposes.

- - Closing: , 1999

Per Share Total

Public offering price: $ $ Underwriting fees: Proceeds to GlobeSpan:

THIS INVESTMENT INVOLVES RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 5. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

DONALDSON, LUFKIN & JENRETTE BANCBOSTON ROBERTSON STEPHENS SG COWEN THOMAS WEISEL PARTNERS LLC The undersigned is facilitating Internet distribution.

Dljdirect Inc.

WE WILL AMEND AND COMPLETE THE INFORMATION IN THIS PROSPECTUS. ALTHOUGH WE ARE PERMITTED BY US FEDERAL SECURITIES LAW TO OFFER THESE SECURITIES USING THIS PROSPECTUS, WE MAY NOT SELL THEM OR ACCEPT YOUR OFFER TO BUY THEM UNTIL THE DOCUMENTATION FILED WITH THE SEC RELATING TO THESE SECURITIES HAS BEEN DECLARED EFFECTIVE BY THE SEC. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES OR A SOLICITATION OF YOUR OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THAT WOULD NOT BE PERMITTED OR LEGAL.

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Prospectus Summary

This summary highlights selected information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before buying shares in the offering. You should read this entire prospectus carefully.

Our Business

GlobeSpan Semiconductor Inc. is a leading worldwide developer of advanced digital subscriber line (DSL) integrated circuits (chip sets) which enable high-speed data transmission over the existing network of copper telephone wires known as the local loop. Our products enable data transmission at rates over 100 times faster than today's 56 Kbps modems when deployed at each end of these copper telephone wires. We sell our integrated circuits as chip sets to manufacturers of DSL equipment for incorporation into products that are sold to telecommunications service providers and end users. To date, we have shipped more than one million DSL chip sets, representing a significant share of this emerging market, to a broad base of leading communications equipment manufacturers, including Ascom Hasler AG, Cisco Systems, LG Information & Communications, NEC Corporation, Paradyne Corporation and Westell Technologies.

Our products target the rapidly growing market for high-speed data transmission applications such as Internet access, telecommuting and branch office internetworking. International Data Corporation estimates that the number of Internet users worldwide was approximately 69 million in 1997 and will reach approximately 320 million in 2002. In order to enable these applications, equipment manufacturers are designing DSL systems around increasingly complex integrated circuits which account for a significant portion of the value-added, proprietary content of such systems. While equipment manufacturers have in-depth systems knowledge, they often lack the core technology and expertise necessary to develop these integrated circuits internally and are turning to DSL integrated circuit developers that possess the core technologies and expertise required to bring high performance, cost-effective solutions to market.

Our objective is to maximize our number of design wins with both new and existing customers which creates an opportunity to sell our chip sets in volume quantities, capitalize on the success of any one of our customers' DSL products and increase the likelihood of follow-on design wins. We are successful in capturing design wins because:

- We have a long history of DSL development experience;

- We have sold over one million chip sets;

- We offer a broad suite of DSL chip sets;

- Our chip sets provide system-on-a-chip functionality differentiated by high performance and software flexibility;

- Our chip sets offer a competitive total system cost;

- We apply advanced systems-level expertise;

- We sell comprehensive reference design guides and offer strong technical support to accelerate customers' time to market; and - Our chip sets are designed to comply with industry standards.

We believe these advantages and design attributes position us as the preferred design partner and chip set supplier for DSL equipment manufacturers. Our strategy is to maintain and grow our leading design win position by:

- Targeting all applications in the DSL market and providing the chip set technologies necessary to enable these applications;

- Strengthening and broadening our technology competencies to maintain our leading position in the DSL market;

- Leveraging our advanced systems-level expertise to develop and offer chip sets that can be cost effectively incorporated into complete DSL systems; and - Continuing to actively participate in the formulation of critical standards for the high-speed data transmission market.

We were formed as an independent company in July 1996 as part of the divestiture of AT&T Paradyne Corporation by Lucent Technologies and commenced operations in August 1996. Prior to the divestiture, our business was operated as the Advanced Transmission Technology Division of AT&T

Paradyne Corporation.

The Offering

Common stock offered..... shares Common stock to be outstanding after this offering..... shares Use of proceeds..... We intend to use the estimated net proceeds from this offering for working capital, repayment of certain indebtedness, potential acquisitions of technology or businesses and other general corporate purposes.

Proposed Nasdaq National Market symbol.... GSPN Except as otherwise indicated, information in this prospectus is based on the following assumptions:

- The number of shares of our common stock to be outstanding after the offering is based on shares outstanding as of December 31, 1998 and assumes no exercise of the underwriters' over-allotment option. All share numbers assume a one-for-three reverse stock split to be effected prior to the completion of this offering.

- The number of shares includes shares of common stock to be issued upon the "net exercise" of our outstanding warrant held by Lucent Technologies. The warrant is currently exercisable for 1,312,500 shares of our common stock at an exercise price of $6.72 per share. The warrant can either be exercised by payment of the exercise price in cash or by a net exercise. A net exercise means that the aggregate exercise price of the warrant is deemed to be paid by the warrant holder by giving up shares of our common stock, in lieu of paying cash, based on the fair market value of such shares at the time of the net exercise. See "Certain Transactions."

- The number of shares excludes:

1,977,535 shares of common stock available for issuance under our 1996 Equity Incentive Plan as of December 31, 1998, 1,892,931 of which were subject to outstanding options at a weighted average price of $3.55 per share at December 31, 1998;

1,000,000 shares of common stock available for issuance under our 1999 Equity Incentive Plan, which was approved by the board of directors in March 1999 and by the stockholders in , 1999;

250,000 shares of common stock available for issuance under our 1999 Director Stock Plan, which was approved by the board of directors in March 1999 and by the stockholders in , 1999; and 400,000 shares of common stock available for issuance under our Employee Stock Purchase Plan, which was approved by the board of directors in March 1999 and by the stockholders in , 1999.

- The rights, preferences and privileges of our capital stock assumes the filing, upon the approval of our stockholders, of the amended and restated certificate of incorporation. See "Description of Capital Stock."

Summary Financial Data (In Thousands, Except Share and Per Share Data)

	PREDECESSOR COMPANY				THE COMPANY	
	YEARS ENDED DECEMBER 31,		SEVEN MONTHS ENDED JULY 31,	FIVE MONTHS ENDED DECEMBER 31,	YEARS ENDED DECEMBER 31,	
	1994	1995	1996	1996	1997	1998
	(UNAUDITED)					
STATEMENT OF OPERATIONS DATA:						
Net revenues	$ 380	$1,695	$ 1,597	$ 2,360	$ 22,546	$ 31,464
Gross profit	380	1,695	1,597	1,864	14,981	21,582
(Loss) income from operations	(4,845)	435	(2,419)	(800)	1,051	(7,912)
Net (loss) income	$(4,845)	$ 435	$(2,419)	$ (800)	$ 842	$ (7,829)
(Loss) earnings per share:						
Basic				$ (0.07)	$ 0.07	$ (0.65)
Diluted				$ (0.07)	$ 0.07	$ (0.65)
Shares used in computing (loss) earnings per share:						
Basic				11,437,500	11,515,538	12,084,711
Diluted				11,437,500	12,706,432	12,084,711

	AS OF DECEMBER 31, 1998	
	AS ACTUAL	ADJUSTED
BALANCE SHEET DATA:		
Cash and cash equivalents	$ 12	$
Working capital (deficit)	(2,655)	
Total assets	13,430	
Long-term liabilities, less current portion	5,506	
Total stockholders' (deficit) equity	(1,293)	

The financial data under the heading "Predecessor Company" is for our business when it was the Advanced Transmission Technology Division of AT&T Paradyne Corporation. We were formed in July 1996 as part of the divestiture of AT&T Paradyne Corporation by Lucent Technologies and commenced operations in August 1996. For more information on the divestiture, see "Certain Transactions" and Note 1 of the Notes to Financial Statements.

See Note 9 of the Notes to Financial Statements for an explanation of the method used to calculate earnings per share. Earnings per share data is not presented for the Predecessor Company since the Predecessor Company did not have its own capital structure. As a result, this information would not be meaningful.

The balance sheet data as of December 31, 1998, as adjusted, gives effect to our receipt of the net proceeds from the sale of shares of common stock offered hereby at an assumed public offering price of $ per share, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. It also gives effect to the net exercise of the outstanding warrant held by Lucent Technologies and the repayment of certain indebtedness. See "Use of Proceeds" and "Capitalization."

Risk Factors

Before you invest in our common stock, you should be aware of various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included in this prospectus, before you decide whether to purchase shares of our common stock.

WE HAVE ONLY BEEN OPERATING AS AN INDEPENDENT COMPANY SINCE AUGUST 1996, AND THIS LIMITED OPERATING HISTORY MAKES IT DIFFICULT TO EVALUATE OUR PROSPECTS We have only been operating as an independent company since August 1996, and we only began shipping chip sets in volume in January 1997. We have not had a long history of generating significant revenues. Many of our chip sets have only recently been introduced. As a result of our limited operating history, we have limited historical financial data that can be used in evaluating our business and its prospects and in projecting future operating results. You must consider our prospects in light of the risks, expenses and difficulties we might encounter because we are at an early stage of development in a new and rapidly evolving market.

OUR QUARTERLY OPERATING RESULTS WILL FLUCTUATE BECAUSE OF MANY FACTORS, AND A SUBSTANTIAL DETERIORATION IN ANY OF THESE FACTORS WOULD HARM OUR BUSINESS Our revenues and operating results have varied in the past and are likely to vary in the future from quarter to quarter. A number of reasons are likely to cause these variations, including:

- The timing and rate of deployment of DSL services by telecommunications service providers;

- The size and timing of orders from, and shipments to, existing and new customers of our chip sets;

- Loss of a significant customer, or a significant decrease in purchases by significant current customers, such as Cisco Systems or NEC Corporation, or volume purchases from such customers at discounted average per unit selling prices;

- The mix of chip sets shipped in a quarter with different gross margins;

- The pricing of our products as competition among DSL chip set suppliers increases;

- The level of market acceptance of our products and the products offered or sold by our competitors;

- Our ability to introduce new products and technologies on a timely basis;

- The availability of foundry capacity and the expense of having our chip sets manufactured by Lucent Technologies or other foundries in the future;

- The size and timing of expenses, including operating expenses and expenses of developing new products and product enhancements;

- Our ability to hire and retain key personnel;

- Costs associated with future litigation, including litigation relating to the use or ownership of intellectual property;

- Acquisition costs or other non-recurring charges in connection with the acquisition of companies, products or technologies;

- Foreign currency and exchange rate fluctuations which may make our dollar-denominated products more expensive in foreign markets or could expose us to currency rate fluctuation risks if our sales become denominated in foreign currencies; and - General global economic conditions which could adversely affect sales to our customers.

In addition to the above factors, we sell our products based on individual purchase orders. We do not have long-term customer purchase contracts upon which we can rely. We do not have a substantial non-cancelable backlog of orders and our revenues in each quarter depend largely on orders booked and shipped in the quarter. Although in some circumstances we charge our customers an order cancellation penalty, our customers can generally cancel or reschedule orders upon short notice. For these reasons, we typically base our product plans and expenses on forecasts of customer demand. Because we incur significant product development and marketing expenses before we generate revenues associated with these expenses, if revenues are below our projections, then our operating results will vary and our losses will increase.

Further, we expect that decreasing average per unit selling prices of our chip sets due to competition and volume discounts to our large customers will cause variations in our operating results. These declines in average per unit selling prices will generally lead to declines in gross margins for these products. For example, Paradyne Corporation is currently entitled to purchase our chip sets at preferential prices. If Paradyne Corporation increases its orders from us, our gross margins could be materially adversely affected. See "Certain Transactions."

A substantial deterioration in any of the foregoing factors will seriously harm our business, financial condition and results of operations. Because the foregoing factors could cause significant variations in our revenues and operating results, we believe that annual and quarter-to-quarter comparisons of our operating results are not necessarily meaningful. Investors should not rely on the results of any one quarter or series of quarters as an indication of our future performance.

We Expect to Incur Future Losses

We incurred net losses of $0.8 million in the five months ended December 31, 1996, earned net income of $0.8 million in 1997 and incurred net losses of $7.8 million in 1998. As of December 31, 1998, we had an accumulated deficit of $7.8 million. We expect to incur net losses for the foreseeable future, and these losses may be substantial. Further, we expect to incur substantial negative cash flow in the future. Because of continuing substantial capital expenditures and product development, sales, marketing and administrative expenses, we will need to generate significant quarterly revenues to achieve profitability and positive cash flow. To increase revenues and achieve profitability, we primarily need to increase sales of our current products and successfully develop, market and sell our new products. If we do achieve profitability and positive cash flow, we may not be able to sustain or increase profitability or cash flow on a quarterly or annual basis. We generated net operating loss ("NOL")

carryforwards for income tax purposes of approximately $4.8 million through December 31, 1998. These NOL carryforwards have been recorded as a deferred tax asset of approximately $2.1 million. Based upon our history of operating losses and other presently known factors we may not generate sufficient taxable income prior to the expiration of these NOL carryforwards in order to receive the benefit of them and we have reduced our deferred tax assets to zero with a full valuation allowance.

THE LOSS OF ONE OR MORE OF OUR KEY CUSTOMERS WOULD ADVERSELY AFFECT OUR BUSINESS AND RESULTS OF OPERATIONS A relatively small number of customers account for a large percentage of our net revenues. Our business will be seriously harmed if we do not generate as much revenue as we expect from these customers, or experience a loss of any of our significant customers, particularly Cisco Systems or NEC Corporation, or suffer a substantial reduction in orders from such customers. In the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998, our customers who individually represented at least five percent of our net revenues accounted for 85.5%, 72.6% and 70.1%, respectively, of our net revenues. In 1996, our top three customers were Lucent Technologies, LG Information & Communications and Ascom Hasler AG, which accounted for 27.2%, 15.9% and 12.0% of our net revenues, respectively. In 1997, our top three customers were LG Information & Communications, Ascom Hasler AG and Westell Technologies, which accounted for 21.4%, 12.5% 6 and 9.6% of our net revenues, respectively. In 1998, our top three customers were Cisco Systems, NEC Corporation and Ascom Hasler AG, which accounted for 48.3%, 12.6% and 9.2% of our net revenues, respectively. We do not have purchase contracts with any of our customers that obligate them to continue to purchase our products and these customers could cease purchasing our products at any time. Furthermore, it is possible that DSL equipment manufacturers, such as Cisco Systems, NEC Corporation and Ascom Hasler AG, may design and develop internally, or acquire, their own chip set technology, rather than continue to purchase chip sets from third parties such as us. We expect that sales of our products to relatively few customers will continue to account for a significant portion of our net revenues for the foreseeable future.

BECAUSE OF OUR LONG PRODUCT DEVELOPMENT PROCESS AND SALES CYCLE, WE INCUR SUBSTANTIAL EXPENSES BEFORE WE EARN ASSOCIATED NET REVENUES We develop products prior to receiving orders from our customers. Accordingly, we incur substantial product development expenditures prior to generating any revenues from sales of such products. In addition, we have a long sales cycle because we do not receive orders for our chip sets during the period that our customers test and evaluate our chip sets for incorporation into their DSL products. This test and evaluation period typically lasts from three to six months or longer. If our chip sets are initially selected for use in a customer's DSL equipment, we refer to this as a design win. Achieving a design win generally requires us to incur additional expenditures with no assurance that we will secure the design win. Further, a design win is solely an indication that a potential customer may incorporate our chip sets into a DSL product and is not a binding commitment of any kind. Therefore, a design win is not a guarantee that we will sell chip sets.

Even after we secure a design win for a product, we may not ultimately sell volume quantities of our chip sets for that product. Volume production of the DSL equipment manufacturer's product which incorporates our chip sets typically does not begin until three to six months or more after we are

awarded the design win. A design win will translate into volume shipments of our chip sets only if our customers' products are successful. In addition, sales of our chip sets are subject to delays or cancellations due to our customers':

- Internal budgets;

- Product development delays;

- Inability to reach agreement on pricing or other terms of sale;

- Procedures for approving purchases and deploying new technologies in their products;

- Delays in receiving orders due to service provider deployment delays;

- Inability to deliver products in volume;

- Technological obsolescence; and - Changes in product lines.

Once a DSL equipment manufacturer has designed a supplier's chip set into its products, the DSL equipment manufacturer may be reluctant to change its source of chip sets due to the significant costs associated with qualifying a new supplier. Accordingly, the failure to achieve design wins with key DSL equipment manufacturers who have chosen a competitor's chip set could create barriers to future sales opportunities with such DSL equipment manufacturers.

BECAUSE THE DSL MARKET IS RAPIDLY EVOLVING AND HAS ONLY RECENTLY DEVELOPED, OUR BUSINESS WILL BE HARMED IF OUR NEW PRODUCTS ARE NOT SUCCESSFUL The market for chip sets for DSL products is characterized by:

- Intense competition;

- Rapid technological change;

- Frequent new product introductions by our competitors;

- Changes in customer demands; and - Evolving industry standards.

Any of these factors could make our products obsolete or unmarketable. To compete, we must innovate and introduce new products. Our business will be seriously harmed if these innovations and new products are not successful.

DSL products utilize different coding techniques to transmit data reliably over copper telephone wires. These coding techniques, or line codes, include two bits per quadrant (2B1Q), carrierless amplitude phase modulation (CAP), discrete multitone modulation (DMT) and pulse amplitude modulation (PAM). To date, most large volume DSL service deployments have used the 2B1Q and CAP line codes. Recently, U.S. and international standards bodies have defined additional standards specifications which incorporate the DMT and PAM line codes for DSL applications. We are anticipating sizeable deployments based upon these additional standards. We have recently introduced products based on these standards and are dedicating significant resources to achieving design wins for these chip sets.

Substantially all of our product revenues to date have come from the sale of chip sets that use the CAP line code. We have not commercially shipped chip sets based on the 2B1Q, DMT or PAM line codes and we cannot be certain that these chip sets will be successful. To the extent our customers award design wins to our competitors for their next-generation products, including products based on the DMT line code, our business would be adversely affected. If we fail to successfully introduce new products on a timely and cost-effective basis that meet customer requirements and are compatible with evolving industry standards, then our business, financial condition and results of operations will be seriously harmed.

WE RELY ON INTELLECTUAL PROPERTY RIGHTS ACQUIRED FROM LUCENT TECHNOLOGIES TO CONDUCT OUR BUSINESS, AND THESE RIGHTS ARE SUBJECT TO CERTAIN RESTRICTIONS Upon our formation, Lucent Technologies granted to us a number of intellectual property rights. They assigned to us certain patents and granted us a license under other patents. They also gave us the right to extend immunity under patents and the right to use certain trade secrets and know-how. All of these rights are subject to various restrictions and/or conditions. These restrictions and/or conditions apply to the types of chip sets we sell. They also apply to the uses of our products and the types of products into which our chip sets can be incorporated. The restrictions and/or conditions also apply to our ability to sublicense or extend our rights to parties who manufacture our chip sets and to our customers and their end-user customers. The restrictions and/or conditions also apply to the transfer of our rights to third parties that may wish to purchase our company. We believe that we currently have all the intellectual property rights from Lucent Technologies that we need to continue to conduct our business. We also believe that we are exercising the rights granted to us by Lucent Technologies within the scope of the applicable restrictions and/or conditions. Nevertheless, the provisions of the agreement describing the scope of the license and immunity rights and restrictions are ambiguous and Lucent Technologies might not agree with our interpretations. If Lucent Technologies adopts a conflicting interpretation or otherwise asserts that we do not have the rights we think we have, we will need to defend ourselves or negotiate for additional rights. It is even possible that we could be prevented from selling some of our products that depend on these rights or immunities. In any case, the process of negotiation or defense would be time-consuming and expensive, and whether or not it is successful would have a negative impact on our ability to conduct our business.

We Rely on Lucent Technologies to Manufacture Substantially All of Our Chip Sets

We do not own or operate a semiconductor fabrication facility. We depend on Lucent Technologies to timely deliver to us sufficient quantities of fully-assembled and tested chip sets on a turnkey basis. We have had a series of manufacturing arrangements with Lucent Technologies, the latest of which became effective in March 1999. Under this agreement, Lucent Technologies will fill our orders for our current chip sets in accordance with agreed-upon quantity, price, lead-time and other terms. The agreement also contains procedures for establishing Lucent Technologies as a manufacturer of future chip sets for

us. This agreement, however, does not guarantee that Lucent Technologies will adequately fill our orders for current chip sets (either in quantity or timing), or that we will be able to negotiate mutually satisfactory terms for manufacturing our future chip sets. Further, although the March 1999 agreement has a term of three years for the supply of current chip sets, Lucent Technologies has the right to discontinue the supply of any chip set upon 12 months' notice (as long as Lucent Technologies fills our orders for commercially reasonable quantities of that chip set during the notice period). In addition, Lucent Technologies' ability to manufacture our chip sets is limited by its available capacity, and under some circumstances Lucent Technologies may allocate its available capacity to its other customers. Any disruption in availability of our products would have a serious adverse impact on our business. If we are required for any reason to seek a new manufacturer of our chip sets, a new manufacturer of our chip sets may not be available and in any event switching to a new manufacturer would require six months or more and would involve significant expense and disruption to our business.

Each of our DSL products contains two chips: a digital signal processing chip and an analog front end chip. Lucent Technologies manufactures both the digital signal processing chip and the analog front end chip. Our chip sets utilize certain circuits owned by Lucent Technologies, and we do not have a license to these circuits. Although we have independently designed functionally equivalent circuits, we have not established a manufacturing source for chip sets that use these replacement circuits, and such chip sets have never been produced. Further, replacing our chip sets that use circuits owned by Lucent Technologies with newly designed products that use our own replacement circuits may in turn require our customers to redesign or re-qualify their products in certain respects. Establishing additional sources for manufacturing our products independent of the circuits owned by Lucent Technologies would be expensive and disruptive to our business.

From time to time there are shortages in world wide foundry capacity. To address foundry capacity constraints, other semiconductor suppliers that rely on third-party foundries use various arrangements, including equity investments or loans to independent component manufacturers in exchange for guaranteed production capacity, joint ventures to own and operate foundries or "take or pay" contracts that commit a company to purchase specified quantities of components over extended periods. While we are not currently a party to any of these types of arrangements, and they may not be available to us, we may enter into arrangements like these in the future. Any of these arrangements could require us to commit substantial capital. The need to commit substantial capital could require us to obtain additional debt or equity financing, which could dilute our earnings or the ownership of our stockholders.

It is possible that our customers or potential customers may limit the amount of business they do with us until we establish additional sources of manufacturing for our chip sets.

WE COULD BECOME INVOLVED IN DISPUTES WITH LUCENT TECHNOLOGIES, AND ANY SUCH DISPUTE WOULD HAVE AN ADVERSE EFFECT ON OUR BUSINESS Although we do not currently anticipate any dispute with Lucent Technologies, because Lucent Technologies is a source of our intellectual property, the principal manufacturer of our chip sets, a significant stockholder, a competitor and a potential customer, we could in the future become involved in disputes with Lucent Technologies. This risk is heightened by the ambiguity inherent in the divestiture agreements among

Lucent Technologies, Paradyne Corporation and us. We cannot be certain that we would prevail in any such dispute and, regardless of whether we prevail, any such dispute would be expensive and time-consuming and would harm our business. Further, because we rely on Lucent Technologies, we may be reluctant to enforce our rights in any such dispute. For example, we recently sent Lucent Technologies a letter that inquired whether Lucent Technologies was misappropriating our intellectual property in connection with the development of a competing 9 DSL chip set. In response to discussions with Lucent Technologies about this letter, we have decided not to pursue any claim against Lucent Technologies in connection with past acts relating to digital subscriber loop analog chip (DSLAC) technology. Lucent Technologies also has a warrant to purchase our common stock which provides that we shall not enter into any transaction directly or indirectly, with or for the benefit of any related party other than transactions entered into on a basis no less favorable to us than would be obtainable in a comparable arms' length transaction with a third party that is not a related party. We have entered into several transactions with Paradyne Corporation and Communication Partners, L.P., who are related parties, and there can be no assurance that Lucent Technologies would consider that all of these transactions were on terms obtainable in a comparable arms' length transaction. Lucent Technologies is currently a competitor of ours. Upon our formation, Lucent Technologies retained a license to use all patents that were assigned to us, including in products that compete with our chip sets. Lucent Technologies' ability to compete with us could be enhanced by this license.

WE MAY BE REQUIRED TO OBTAIN LICENSES ON TERMS THAT WOULD ADVERSELY AFFECT OUR BUSINESS TO SELL INDUSTRY STANDARD COMPLIANT CHIP SETS We have received correspondence, including a proposed licensing agreement, from Amati Corporation (which was recently acquired by Texas Instruments) stating that they believe that they own a number of patents that are required to be compliant with the American National Standards Institute (ANSI) standard specification T1.413. This industry standard is based on the DMT line code. We have introduced products that we believe are compliant with this industry standard, and we may be required to obtain a license to these Amati Corporation patents. We are currently evaluating the patents and proposed licensing terms. If these patents are valid and essential to the implementation of products that are compliant with this industry standard, then Amati Corporation may be required to offer us a license on commercially reasonable, non-discriminatory terms. Because there are currently no established terms for such a license, we may be unable to agree with Amati Corporation on acceptable license terms. If these patents are valid, but not essential to the implementation of products that are compliant with this industry standard, and they apply to our products and we do not modify our products so they become non-infringing, then Amati Corporation would not be obligated to offer us a license on reasonable terms or at all. If we are not able to agree on license terms and as a result fail to obtain a required license, then we could be sued and be liable for substantial monetary damages or have the sale of our products stopped by an injunction. We could also be subject to similar claims like the Amati Corporation claim by third parties in the future.

THIRD PARTIES MAY CLAIM THAT OUR, OR OUR CUSTOMER'S, PRODUCTS INFRINGE ON THEIR INTELLECTUAL PROPERTY RIGHTS There is a significant risk that third parties, including current and potential competitors, will claim that our products, or our customer's products, infringe on

their intellectual property rights. The owners of such intellectual property rights may bring infringement claims against us. Any such litigation, whether or not determined in our favor or settled by us, would be costly and divert the attention of our management and technical personnel. For example, on February 5, 1997 we received an inquiry from Telecommunications Research Laboratories as to whether our product lines in the area of rate adaptive digital subscriber loop technology may be infringing any of the claims of U.S. patent no. 5,023,869 held by Telecommunications Research Laboratories. Upon review of such patent, we responded in a letter dated March 11, 1997 that our products based on rate adaptive digital subscriber loop technology do not infringe any claims of patent no. 5,023,869. Inquiries with respect to the coverage of our intellectual property, such as the Telecommunications Research Laboratories' inquiry, could develop into litigation. Further, one of our customers received a letter dated March 22, 1996 from Telebit Corporation (which was subsequently acquired by Cisco Systems, Inc.) claiming that it owns patents it believes are essential to, and useful in the manufacture, use and sale of products complying with the American National Standards Institute ASDSL standard T1.413-1995. We examined the merits of Telebit Corporation's claims in light of our then current products that 10 used the CAP line code, but we have not reviewed the merits of the claim with respect to our recently introduced chip sets that use the DMT line code. In the event of an adverse ruling for an intellectual property infringement claim, we could be required to obtain a license or pay substantial damages or have the sale of our products stopped by an injunction. In addition, if a customer of our chip sets cannot acquire a required license on commercially reasonable terms, that customer may choose not to use our chip sets. We have obligations to indemnify our customers under some circumstances for infringement of third-party intellectual property rights. If any such claims are made, our business could be harmed.

Our Efforts to Protect Our Intellectual Property May Not Be Adequate

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or obtain and use information that we regard as proprietary. In the past, competitors have recruited our employees who have had access to our proprietary technologies, processes and operations. Our competitors' recruiting efforts, which we expect will continue, expose us to the risk that such employees will misappropriate our intellectual property. For example, in June 1998, we filed suit against three former employees who recently began employment with one of our competitors. Our lawsuit alleges misappropriation of trade secrets. See "Business -- Litigation." Also, another company, Singapore Telecommunications Limited (Singapore Telecom), has prior rights to the GlobeSpan mark in one or more countries outside the United States, in connection with services involving the transmission and broadcast of satellite communications. Singapore Telecom's rights in the GlobeSpan mark may limit our ability to use or market under the GlobeSpan name in certain territorial regions outside the United States.

We rely in part on patents to protect our intellectual property. We have 28 patents in the United States and 15 patents from other countries. Our patents principally cover various aspects of systems and features relating to telecommunications technologies and telecommunications products, including certain aspects specifically pertaining to the CAP line code and DSL communications systems and devices. Our patents have expiration dates ranging from 2009 to 2017. In addition, we have 42 patent applications pending in the United States Patent and Trademark Office. We also have 53 patent applications pending in various countries other than the United States. These patents may never be issued. Even if these patents are issued, taken together with our existing patents, they may not provide sufficiently broad protection to protect our proprietary rights, or they may prove to be unenforceable. To protect our proprietary rights, we also rely on a combination of copyrights, trademarks, trade secret laws, contractual provisions, licenses and maskwork protection under the Federal Semiconductor Chip Protection Act of 1984. In particular, we rely on these measures to protect our intellectual property because as a fabless semiconductor company we have third parties, including competitors such as Lucent Technologies, manufacture our chip sets. We also enter into confidentiality agreements with our employees, consultants and customers and seek to control access to, and distribution of, our other proprietary information. There is no guarantee that such safeguards will protect our intellectual property and other valuable competitive information.

The laws of some foreign countries do not protect our proprietary rights to as great an extent as do the laws of the United States, and many U.S. companies have encountered substantial infringement problems in such countries, some of which are countries in which we have sold and continue to sell products. There is a risk that our means of protecting our proprietary rights may not be adequate. For example, our competitors may independently develop similar technology, duplicate our products or design around our patents or our other intellectual property rights. If we fail to adequately protect our intellectual property, it would be easier for our competitors to sell competing products.

OUR INDUSTRY IS HIGHLY COMPETITIVE, AND WE CANNOT ASSURE YOU THAT WE WILL BE ABLE TO EFFECTIVELY COMPETE The DSL chip set market is intensely competitive. We expect competition to intensify as current competitors expand their product offerings and new competitors enter the market. We believe that we must compete on the basis of a variety of factors, including:

- Time to market;

- Functionality;

- Conformity to industry standards;

- Performance;

- Price;

- Breadth of product lines;

- Product migration plans; and - Technical support.

We believe our principal competitors include:

- For ADSL products based on the American National Standards Institute standard T1.413, Alcatel, Analog Devices, Motorola and Texas Instruments, among others;

- For G.lite products based on the International Telecommunications Union standard G.992.2, Alcatel, Analog Devices, Centillium Technology Corporation, Lucent Technologies and Texas Instruments, among others; and - For HDSL, SDSL, MSDSL and HDSL2 products, Conexant Systems, Level One Communications and MetaLink, among others.

In addition to these competitors, there have been growing numbers of announcements by other integrated circuit companies that they intend to enter the DSL chip set market.

Further, many of our customers face competition from companies, such as Orckit Communications and PairGain Technologies, which design their own chip sets. Because these companies do not purchase all of their chip sets from suppliers such as us, if these competitors displace our customers in the DSL equipment market, our customers would no longer need our products.

Many of our competitors have greater name recognition, their own manufacturing capabilities, significantly greater financial and technical resources, and the sales, marketing and distribution strengths that are normally associated with large multinational companies. These competitors may also have pre-existing relationships with our customers or potential customers. These competitors may compete effectively with us because in addition to the above-listed factors, they more quickly introduce new technologies, more rapidly or effectively address customer requirements or devote greater resources to the promotion and sale of their products than we do. Further, in the event of a manufacturing capacity shortage, these competitors may be able to manufacture products when we are unable to do so.

As the DSL market matures, the industry may become subject to increasing price competition driven by the lowest cost providers of chip sets. We anticipate that average per unit selling prices of DSL chip sets will continue to decline as product technologies mature. If we are unable to reduce our costs sufficiently to offset declines in the average per unit selling prices or are unable to introduce new higher performance products with higher average per unit selling prices, our operating results will be seriously harmed. Since we do not manufacture our own products, we may be unable to negotiate volume discounts with our foundries in order to reduce the costs of manufacturing our chip sets in response to declining average per unit selling prices. Many of our competitors are larger with greater resources and therefore may be able to achieve greater economies of scale and would be less vulnerable to price competition. Our inability to achieve manufacturing efficiencies would have an adverse impact on our operating results.

OTHER TECHNOLOGIES FOR THE HIGH-SPEED DATA TRANSMISSION MARKET WILL COMPETE EFFECTIVELY WITH OUR PRODUCTS Our products are competing with a variety of different high-speed data access technologies, including cable modems, satellite and other wireless technologies. Many of these technologies will compete effectively with our products. All of our products are deployed in networks that use standard copper telephone wires. Copper telephone wires have physical properties that limit the speed and distance over which data can be transmitted. In general, data transmission rates over copper telephone wires are slower over longer distances and faster

over shorter distances. If any technology that is competing with DSL technology is more reliable, faster, less expensive, reaches more customers or has other advantages over DSL technology, then the demand for our products and our revenues and gross margins may decrease.

OUR EXECUTIVE OFFICERS AND KEY PERSONNEL ARE CRITICAL TO OUR BUSINESS, AND THESE OFFICERS AND PERSONNEL MAY NOT REMAIN WITH US IN THE FUTURE We depend upon the continuing contributions of our key management, sales, customer support and product development personnel. The loss of such personnel could seriously harm us. Only Armando Geday, our President and Chief Executive Officer, is subject to an employment agreement; however, we cannot be sure that we can retain Mr. Geday's services. In addition, we have not obtained key-man life insurance on any of our executive officers or key employees. Because DSL technology is specialized and complex, we need to recruit and train qualified technical personnel. However, there are many employers competing to hire qualified technical personnel and we have had difficulty attracting and retaining such personnel. We expect to continue to have difficulty hiring and retaining qualified personnel. Further, our competitors have recruited our employees and may do so in the future.

IF LEADING DSL EQUIPMENT MANUFACTURERS DO NOT INCORPORATE OUR CHIP SETS IN SUCCESSFUL PRODUCTS, OUR BUSINESS WILL BE HARMED We rely upon DSL equipment manufacturers, such as Cisco Systems and NEC Corporation, to design our chip sets into their DSL products. We further rely on these products to be successful, and if they are not, we will not sell our chip sets in volume quantities. Accordingly, we must correctly anticipate the price, performance and functionality requirements of these DSL equipment manufacturers. We must also successfully develop products that meet these requirements and make such products available on a timely basis and in sufficient quantities. Further, if there is consolidation in the DSL equipment manufacturing industry, or if a small number of DSL equipment manufacturers otherwise dominate the market for DSL equipment, then our success will depend upon our ability to establish and maintain relationships with these market leaders. If we do not anticipate trends in the DSL market and meet the requirements of DSL equipment manufacturers, or if we do not successfully establish and maintain relationships with leading DSL equipment manufacturers, then our business, financial condition and results of operations will be seriously harmed.

We Depend Upon Telecommunications Service Providers to Deploy Dsl Technologies

The success of our products is dependent upon the decision by telecommunications service providers to deploy DSL technologies and the timing of the deployment. Factors that will impact such deployment include:

- A prolonged approval process, including laboratory tests, technical trials, marketing trials, initial commercial deployment and full commercial deployment;

- The development of a viable business model for DSL services, including the capability to market, sell, install and maintain DSL services;

- Cost constraints, such as installation costs and space and power requirements at the telecommunications service provider's central office;

- Varying and uncertain conditions of the local loop, including the size and length of the copper wire, electrical interference and interference with existing voice and data telecommunications services;

- Challenges of interoperability among DSL equipment manufacturers' products;

- Evolving industry standards for DSL technologies; and - Government regulation.

Although a number of telecommunications service providers have commenced commercial deployment of DSL services using DSL products that incorporate our chip sets, if these telecommunications service providers do not expand their deployment of DSL services, or if additional telecommunications service providers do not offer DSL services on a timely basis, then our business, financial condition and results of operations will be seriously harmed.

WE NEED TO SUCCESSFULLY MANAGE THE RECENT RAPID EXPANSION IN OUR OPERATIONS AND THE ASSUMPTION OF SERVICES PREVIOUSLY PERFORMED FOR US BY PARADYNE CORPORATION Since our formation, Paradyne Corporation has provided us with certain services, including legal, accounting and tax support, information systems and facilities management. Although we now perform many of these functions, Paradyne Corporation still provides certain services, such as insurance and retirement plan administration. We expect to perform an increasing number of the remaining services currently provided by Paradyne Corporation. If we do not successfully manage this transition, our business, financial condition and results of operations will be seriously harmed. Further, from December 31, 1997 to December 31, 1998, we increased from 93 to 177 total employees. This growth has placed and will continue to place a significant strain upon our management, operating and financial systems and other resources. To accommodate this expansion of operations, we must continue to implement and improve information systems, procedures and controls and expand, train, motivate and manage our work force.

SALES TO CUSTOMERS BASED OUTSIDE OF NORTH AMERICA HAVE ACCOUNTED FOR A SIGNIFICANT PORTION OF OUR REVENUES WHICH EXPOSES US TO INHERENT RISKS OF INTERNATIONAL BUSINESS The following table shows the percentage of our net revenues which we derived from sales to customers based outside of North America for the time periods indicated:

Time Period Percentage of Net Revenues

Five Months Ended December 31, 1996	40.0 %
Year Ended December 31, 1997	49.2 %
Year Ended December 31, 1998	32.6 %

We expect that sales to such international customers will continue to account for a significant portion of our net revenues for the foreseeable future. Accordingly, we are subject to risks inherent in our international business activities, including:

- Unexpected changes in regulatory requirements;

- Tariffs and other trade barriers, including current and future import and export restrictions;

- Difficulties in collecting accounts receivables;

- Difficulties in staffing and managing international operations;

- Potentially adverse tax consequences, including restrictions on the repatriation of earnings;

- The burdens of complying with a wide variety of foreign laws (particularly with respect to intellectual property) and license requirements;

- The risks related to international political instability and to the recent global economic turbulence and adverse economic circumstances in Asia;

- Risks that changes in foreign currency exchange rates will make our products comparatively more expensive;

- Risks that although our product sales are currently denominated in U.S. dollars, if we denominate product sales in foreign currencies in the future, then we will experience risk of loss due to fluctuations in the value of foreign currencies;

- Difficulties in protecting intellectual property rights in certain foreign countries; and - Limited ability to enforce agreements and other rights in certain foreign countries.

In 1998, 9.4% of our net revenues were derived from customers based in Asian countries. Because of the continuing economic instability in Asia, sales of our chip sets to customers in this region may be adversely affected.

IF WE DELIVER PRODUCTS WITH DEFECTS, OUR CREDIBILITY WILL BE HARMED, AND THE SALES AND MARKET ACCEPTANCE OF OUR PRODUCTS WILL BE ADVERSELY AFFECTED Our products are complex and have contained errors, defects and bugs when introduced. If we deliver products with errors, defects or bugs, our credibility and the market acceptance and sales of our products could be harmed. Further, if our products contain errors, defects and bugs, then we may be required to expend significant capital and resources to alleviate such problems. Defects could also lead to product liability as a result of product liability lawsuits against us or against our customers. We have agreed to indemnify our customers in some circumstances against liability from defects in our products. A successful product liability claim could seriously harm our business, financial condition and results of operations.

We Are Controlled by a Principal Stockholder

Upon completion of this offering, executive officers and directors and their affiliates, including Communication Partners, L.P., will own, in the aggregate, approximately % of our outstanding common stock. The purchasers of common stock in this offering will not have sufficient voting power to elect any members of our board of directors. As a result, our current stockholders will be able to exercise

control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, which could have the effect of delaying or preventing a change of control of our company.

Communication Partners, L.P. will own approximately % of GlobeSpan after the offering and will be able to exercise control over GlobeSpan subject to the fiduciary duties of its representatives on the board of directors under Delaware law. The interests of Communication Partners, L.P. may not always coincide with our interests or the interests of other stockholders. Communication Partners, L.P., through its representatives on the board of directors, could cause us to enter into transactions or agreements which we would not otherwise consider absent Communication Partners, L.P.'s influence. Communication Partners, L.P. also is currently the majority owner of Paradyne Corporation. See "Certain Transactions."

Our current board of directors consists of Messrs. Coulter, Deb, Epley, Geday, Geeslin and Stanton. Our board of directors has also created an Executive Committee consisting of Messrs. Coulter, Deb, Epley and Geday. Of the current members of the board of directors and the Executive Committee, Messrs. Epley, Geeslin and Stanton are also currently directors of, and have direct or indirect equity interests in, Paradyne Corporation, which is a customer of ours. In addition, Dipanjan Deb, a director of GlobeSpan, is employed by the Texas Pacific Group, which is the majority stockholder of the general partner of Communication Partners, L.P. Accordingly, our continuing supplier relationship with Paradyne Corporation, and any other potential business dealings between Paradyne Corporation and us, could create conflicts of interest for the GlobeSpan directors.

Our Business Could Be Affected by Year 2000 Issues

The "Year 2000 Issue" refers generally to the problems that some software may have in determining the correct century of the year. Many existing electronic systems, including computer systems, use only the last two digits to refer to a year. Therefore, these systems may recognize a date using "00" as 1900 rather than the year 2000. If not corrected, these electronic systems could fail or create erroneous results when addressing dates on and after January 1, 2000.

In assessing the effect of the Year 2000 Issue on GlobeSpan, we determined that we need to evaluate four general areas:

- Supplier relationships;

- Internal infrastructure;

- Products sold to customers; and - Other third-party relationships.

Supplier Relationships. We are a "fabless" semiconductor company and therefore rely on third party manufacturers to manufacture our chip sets. To date, Lucent Technologies manufactures substantially all of our chip sets. If Lucent Technologies is affected by the Year 2000 Issue, our supply of chip sets could be delayed or eliminated. Any disruption in our supply of chip sets from Lucent Technologies

would seriously harm our business, financial condition and results of operations. We are currently seeking assurances from Lucent Technologies that their manufacturing of our chip sets will be unaffected by the Year 2000 Issue but have not received such assurances to date.

Internal Infrastructure. The Year 2000 Issue could also affect our internal systems, including both our information technology and non-information technology systems. We have initiated an assessment of our material internal information technology systems, including third-party software and hardware technology. Based upon representations received from these third-party software and hardware suppliers, we do not believe that our material internal information technology systems will be affected by the Year 2000 Issue. We have also initiated an assessment of our non-information technology internal systems, such as our test facility. Based on our preliminary assessment, we do not believe that our material non-information technology internal systems will be affected by the Year 2000 Issue. However, we may experience serious unanticipated problems and costs caused by undetected errors or defects in the technology used in our internal information technology and non-information technology systems.

Products Sold to Customers. Our chip sets and DSL reference design guides do not contain two digit date codes and therefore are generally unaffected by the Year 2000 Issue. However, once shipped, our chip sets are incorporated into system and board-level products which we do not develop. The performance of our chip sets could be affected if a Year 2000 Issue exists in a different component of a customer's product. We have not, and will not, assess the existence of these potential problems in our customers' products.

We do not currently have any information concerning the Year 2000 compliance status of our customers. Our current or future customers may incur significant expenses to achieve Year 2000 compliance. If our customers are not Year 2000 compliant, they may experience significant costs to remedy problems, or they may face litigation costs. In either case, Year 2000 issues could reduce or eliminate the budgets that current or potential customers could have for purchases of our products and services. As a result, our business, results of operations or financial condition could be materially adversely affected.

Other Third-Party Relationships. We rely on outside vendors for utilities and telecommunication services as well as climate control, building access and other infrastructure services. We are not capable of independently evaluating the Year 2000 compliance of the systems utilized to supply these services. We cannot assure you that these suppliers will resolve any or all Year 2000 Issues with these systems before the occurrence of a material disruption to our business. Any failure of these third parties to resolve Year 2000 Issues with their systems in a timely manner could have a material adverse effect on our business, financial condition or results of operations.

We have not developed a contingency plan to address situations that may result if we are unable to achieve Year 2000 readiness of our critical operations, and we do not plan to do so in the future. Any investigations we have undertaken with respect to Year 2000 Issues have been funded from available cash, and these costs have not been separately accounted for. To date, these costs have not been significant.

WE HAVE CERTAIN ANTITAKEOVER DEFENSES THAT COULD DELAY OR PREVENT AN ACQUISITION OF OUR COMPANY Certain provisions of our certificate of incorporation and bylaws and the provisions of Delaware law could have the effect of delaying, deferring or preventing an acquisition of GlobeSpan. For example, we have authorized but unissued shares of preferred stock which could be used to fend off a takeover attempt, our stockholders may not take actions by written consent and our stockholders are limited in their ability to make proposals at stockholder meetings. See "Description of Capital Stock" for a further discussion of these provisions.

We May Need to Raise Additional Capital

We expect the net proceeds from this offering, our current cash and cash equivalents and cash from commercial borrowing availability under credit facilities will meet our working capital and capital expenditure needs for at least one year. After that, we may need to raise additional funds, and we cannot be certain that we will be able to obtain additional financing on favorable terms, if at all. We may also require additional capital for the acquisition of businesses, products and technologies that are complementary to ours. Further, if we issue equity securities, the ownership percentage of our stockholders would be reduced, and the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. If we cannot raise needed funds on acceptable terms, we may not be able to develop or enhance our products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements, which could seriously harm our business, operating results and financial condition.

Our Stock Price May Be Volatile

Prior to this offering, you could not buy or sell our common stock on a public market. An active public market for our common stock may not develop or be sustained after this offering. We negotiated and determined the initial public offering price with the representatives of the underwriters based upon several factors. This price may vary from the market price after this offering. The market price of our common stock will likely fluctuate significantly in response to the following factors, some of which are beyond our control:

- Variations in our quarterly operating results;

- Changes in financial estimates of our revenues and operating results by securities analysts;

- Changes in market valuations of integrated circuit companies;

- Announcements by us of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;

- Loss of or decrease in sales to a major customer or failure to complete significant transactions;

- Loss or reduction in manufacturing capacity from Lucent Technologies;

- Additions or departures of key personnel;

- Future sales of our common stock;

- Stock market price and volume fluctuations attributable to inconsistent trading volume levels of our stock;

- Commencement of or involvement in litigation; and - Announcements by us or our competitors of key design wins and product introductions.

OUR BUSINESS MAY BE ADVERSELY AFFECTED BY CLASS ACTION LITIGATION DUE TO STOCK PRICE VOLATILITY In the past, securities class action litigation has often been brought against companies following periods of volatility in the market price of their securities. We may be the target of similar litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources, which could cause serious harm to our business, financial condition and results of operations.

Future Sales of Our Common Stock May Depress Our Stock Price

After this offering, we will have shares of common stock outstanding. Of these shares, the sold in this offering will be freely tradable without restriction under the Securities Act except for any shares purchased by "affiliates" of GlobeSpan as that term is defined in Rule 144 of the Securities Act. As of March 11, 1999, the remaining 12,268,723 shares of common stock held by existing stockholders are "restricted shares" as that term is defined in Rule 144, and will be available for sale in the public market as follows:

Number of Shares Date of Availability for Sale

0	At the date of this prospectus.
0	90 days after the date of this prospectus.
12,268,723	180 days after the date of this prospectus or afterwards.

The above table assumes the effectiveness of certain lock-up arrangements with the underwriters under which the stockholders have agreed not to sell or otherwise dispose of their shares of common stock. Most of the shares that will be available for sale after the 180th day after the date of this prospectus or afterwards will be subject to certain volume limitations because they are held by affiliates of GlobeSpan. In addition, we cannot assure you that these lock-up restrictions will not be removed prior to 180 days after the offering without prior notice by the underwriters.

As of March 12, 1999, there were options to purchase 2,007,055 shares of our common stock outstanding. Should the holders of these options exercise their options, there will be additional shares eligible for sale 180 days after the date of this prospectus.

If our stockholders sell substantial amounts of the common stock, including shares issued upon the exercise of outstanding options, in the public market, the market price of our common stock could fall. For more detailed information regarding future sales of our common stock, please see "Shares Eligible

for Future Sale" and "Underwriting."

Our Current Stockholders Will Benefit from This Offering

The initial public offering price is expected to be substantially higher than the current book value per share of our outstanding common stock. Existing stockholders have paid an average of $0.50 per share for their common stock which is considerably less than the amount to be paid for such common stock in this offering. As a result, investors purchasing common stock in this offering will incur immediate and substantial dilution. In addition, we have issued options to acquire common stock at prices significantly below the initial public offering price. To the extent such outstanding options are ultimately exercised, there will be further dilution to investors in this offering.

WE HAVE BROAD DISCRETION TO USE THE OFFERING PROCEEDS AND HOW WE INVEST THESE PROCEEDS MAY NOT YIELD A FAVORABLE RETURN The principal purposes of this offering are to increase our equity capital, to create a public market for our shares, to facilitate our future access to public equity markets and to provide increased visibility and credibility for us in a marketplace in which many of our current and potential competitors are or are expected to be publicly held companies. We are effecting the offering at this time because we believe that favorable market conditions currently exist for the public offering of stock of companies within our industry. As of the date of this prospectus, we have no specific plans to use the net proceeds from the offering other than for repayment of certain indebtedness and general corporate purposes and plan to invest the net proceeds in short-term, investment-grade, interest-bearing securities. Accordingly, our management will retain broad discretion to allocate a substantial portion of the net proceeds from this offering to uses that the stockholders may not deem as desirable, and there can be no assurance that these proceeds can or will yield a significant return.

We Do Not Anticipate Paying Any Dividends

We currently intend to retain all future earnings to fund the development and growth of our business and, therefore, we do not anticipate paying any dividends. Additionally, our lines of credit currently prohibit the payment of dividends.

Note Regarding Forward-looking Statements

All statements, trend analyses and other information contained in this prospectus regarding markets for our products and trends in net revenues, gross margin and anticipated expense levels, and any statement that contains the words "anticipate," "believe," "plan," "estimate," "expect," "intend" and other similar expressions, constitute forward-looking statements. These forward-looking statements are subject to business and economic risks, including those risks identified in "Risk Factors" and elsewhere

in this prospectus and our actual results of operations may differ significantly from those contained in the forward-looking statements because of such risks. The cautionary statements made in this prospectus apply to all forward-looking statements wherever they appear in this prospectus.

Use of Proceeds

We estimate that our net proceeds from the sale of the shares of common stock that we are offering will be approximately $ million at an assumed initial public offering price of $ per share and after deducting estimated offering expenses of $ and underwriting discounts and commissions payable by GlobeSpan. After we retire our approximately $7.5 million of aggregate outstanding indebtedness to BankAmerica Business Credit, Inc. and Communication Partners, L.P., the net proceeds we will receive from the offering will be approximately $ million, or $ million if the underwriters' over-allotment option is exercised in full. We intend to use these remaining proceeds primarily for additional working capital. Although we may use a portion of the net proceeds to acquire technology or businesses that are complementary to our business, we have no current plans in this regard. Pending such uses, we plan to invest the net proceeds in short-term, interest-bearing, investment grade securities. Another primary purpose of the offering is to create a public market for our common stock and facilitate our future access to public capital markets.

Dividend Policy

We have never declared or paid any cash dividends on our common stock or other securities and do not anticipate paying cash dividends in the foreseeable future. Additionally, our lines of credit currently prohibit the payment of dividends.

Certain Information

Our principal executive offices are located at 100 Schulz Drive, Red Bank, New Jersey 07701, and our telephone number is (732)345-7500. Our logo and certain titles and logos of our publications and products mentioned in this prospectus are our service marks or trademarks. Each trademark, trade name or service mark of any other company appearing in this prospectus belongs to its holder.

Capitalization

The following table sets forth our capitalization as of December 31, 1998:

- On an actual basis;

- On a pro forma basis to reflect the net exercise of Lucent Technologies' warrant to purchase shares of our common stock upon completion of this offering; and - On a pro forma as adjusted basis to reflect the sale of the shares of common stock offered hereby (assuming an initial public offering price of $ per

share) and the application of the net proceeds we will receive from the offering in the manner described in "Use of Proceeds."

AS OF DECEMBER 31, 1998 PRO FORMA ACTUAL PRO FORMA AS ADJUSTED (IN THOUSANDS, EXCEPT SHARE DATA)

Long-term portion of capital lease obligations, less current portion	$ 506	$ 506	$ 506
Subordinated note payable to Communication Partners, L.P.	5,000	5,000	--
Stockholders' equity (deficit):			
Preferred stock, $0.001 par value, 3,000,000 shares authorized; no shares issued or outstanding, actual, pro forma and pro forma as adjusted	--	--	--
Common stock, $0.001 par value, 15,555,300 shares authorized; 12,265,265 shares issued and outstanding, actual; shares issued and outstanding, pro forma; issued and outstanding, pro forma as adjusted	12		
Stock purchase warrant	3,654		
Additional paid-in capital	3,629		
Notes receivable from stock sales	(725)		
Deferred stock compensation	(76)		
Accumulated deficit	(7,787)		
Total stockholders' (deficit) equity	(1,293)		
Total capitalization	$4,213	$	$

The outstanding share information excludes the following:

- 1,892,931 shares of common stock issuable on exercise of outstanding options as of December 31, 1998 with a weighted average exercise price of $3.55 per share, - 84,604 shares of common stock reserved for grant and issuance under our 1996 Equity Incentive Plan as of December 31, 1998.

This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and the Notes thereto included elsewhere in this prospectus. See "Use of Proceeds" and "Management--Employee Benefit Plans."

Dilution

Our pro forma net tangible book deficit as of December 31, 1998 was approximately $ million, or approximately $ per share. Pro forma net tangible book deficit per share represents the amount of our total tangible assets less total liabilities, divided by the total number of shares of our common stock outstanding on a pro forma basis. Pro forma share amounts include common stock outstanding and shares of common stock to be issued at the closing of this offering upon net exercise of an outstanding warrant held by Lucent Technologies.

Net tangible book value dilution per share to new investors represents the difference between the amount per share paid by purchasers of shares of common stock in the offering made hereby and the pro forma net tangible book value per share of common stock immediately after completion of this offering. After giving effect to our sale of shares of common stock in this offering at an assumed initial offering price of $ per share and after deducting the estimated underwriting discounts and commissions and estimated offering expenses and the application of the estimated net proceeds therefrom, our pro forma net tangible book value as of December 31, 1998 would have been $ million

or $ per share. This represents an immediate increase in net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to purchasers of common stock in the offering, as illustrated in the following table:

Assumed initial public offering price per share..... $ Pro forma net tangible book deficit per share as of December 31, 1998..... $ Increase in pro forma net tangible book value per share attributable to new investors..... Pro forma net tangible book value per share after the offering..... Dilution per share to new investors..... $ The following table summarizes, on a pro forma basis as of December 31, 1998, the differences between existing stockholders and the new investors with respect to the number of shares of common stock purchased from GlobeSpan, the total consideration paid and the average price per share paid, before deducting the underwriting discounts and commissions and estimated offering expenses payable by GlobeSpan.

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing stockholders.....	12,265,265	%	$ 6,122,000	%	$0.50
Net exercise of warrant.....			--	--	
New stockholders.....					
Totals.....		100.0%	$	100.0%	

The foregoing discussion and tables assume no exercise of any stock options outstanding as of December 31, 1998. As of December 31, 1998, there were options outstanding to purchase a total of 1,892,931 shares of common stock with a weighted average exercise price of $3.55 per share. To the extent that any of these options are exercised, there will be further dilution to new investors. See "Risk Factors--Our Current Stockholders will Benefit From This Offering," "Management--1999 Stock Option Plan," "Description of Capital Stock," and Note 10 of Notes to Financial Statements.

Selected Financial Data (In Thousands Except Share and Per Share Data)

The following selected financial data as of December 31, 1997 and 1998, and for the seven months ended July 31, 1996, the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998, was derived from financial statements audited by PricewaterhouseCoopers LLP, independent accountants. The selected financial data for the years ended December 31, 1994 and 1995 of the Predecessor Company represent the financial position of the Advanced Transmission Technology Division of AT&T Paradyne prior to the divestiture in July 1996 and was derived from the unaudited financial statements of the Predecessor Company. This information should be read in conjunction with the financial statements, including the notes thereto, included elsewhere in this prospectus.

	PREDECESSOR COMPANY				THE COMPANY
	YEARS ENDED DECEMBER 31,		SEVEN MONTHS ENDED	FIVE MONTHS ENDED	YEARS ENDED DECEMBER 31,

	----------		JULY 31,	DECEMBER 31,	----------	----------
	1994	1995	1996	1996	1997	1998
		(UNAUDITED)				
STATEMENT OF OPERATIONS DATA:						
Net revenues	$ 380	$ 1,695	$ 1,597	$ 2,360	$ 22,546	$ 31,464
Cost of sales	--	--	--	496	7,565	9,882
Gross profit	380	1,695	1,597	1,864	14,981	21,582
Operating expenses						
Research and development, net	4,223	183	2,524	1,616	8,358	18,694
Selling, general and administrative	1,002	1,077	1,492	644	4,572	10,217
Amortization and other	--	--	--	404	1,000	583
Total operating expenses	5,225	1,260	4,016	2,664	13,930	29,494
(Loss) income from operations	(4,845)	435	(2,419)	(800)	1,051	(7,912)
Interest income (expense), net	--	--	--	--	91	(134)
(Loss) income before income taxes	(4,845)	435	(2,419)	(800)	1,142	(8,046)
Provision (benefit) for income taxes	--	--	--	--	300	(217)
Net (loss) income	$ (4,845)	$ 435	$ (2,419)	$ (800)	$ 842	$ (7,829)
(Loss) earnings per share:						
Basic				$ (0.07)	$ 0.07	$ (0.65)
Diluted				$ (0.07)	$ 0.07	$ (0.65)
Shares used in computing (loss) earnings per share:						
Basic				11,437,500	11,515,538	12,084,711
Diluted				11,437,500	12,706,432	12,084,711

As of December 31, 1997 1998

BALANCE SHEET DATA:		
Cash and cash equivalents	$ 875	$ 12
Working capital (deficit)	2,423	(2,655)
Total assets	10,215	13,430
Long-term liabilities, less current portion	--	5,506
Retained earnings (accumulated deficit)	42	(7,787)
Total stockholders' equity (deficit)	6,448	(1,293)

See Note 9 of Notes to the Financial Statements for an explanation of the method used to calculate earnings per share. Earnings per share data is not presented for the Predecessor Company, since the Predecessor Company did not have its own capital structure. As a result, this information would not be meaningful.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Financial Statements of GlobeSpan and the Notes thereto included elsewhere in this prospectus. Our discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives and intentions. GlobeSpan's actual results may differ materially from those indicated in such forward-looking statements. See "Note Regarding Forward-Looking Statements."

Overview

GlobeSpan Semiconductor Inc. is a leading worldwide developer of advanced digital subscriber line (DSL) integrated circuits which enable high-speed data transmission over the existing network of copper telephone wires known as the local loop. We sell our integrated circuits as chip sets to manufacturers of DSL equipment for incorporation into products which are sold to telecommunications service providers and end users. Our products target the rapidly growing market for high-speed data transmission applications such as Internet access, telecommuting and branch office internetworking. We currently outsource the manufacturing of our integrated circuits, which enables us to concentrate our resources on the design, development and marketing of our chip set solutions. To date, we have shipped more than one million DSL chip sets to a broad base of leading communications equipment manufacturers.

We were formed as an independent company in July 1996 as part of the divestiture of AT&T Paradyne Corporation by Lucent Technologies and commenced operations in August 1996. Prior to the divestiture, our business was operated as the Advanced Transmission Technology Division of AT&T Paradyne Corporation. This division was primarily engaged in the development of high-speed DSL solutions. We refer to this division as our predecessor company, although it was not operated as a separate entity.

The predecessor company generated substantially all of its revenues through July 1996 from the license of DSL technology and related fees and customer funded research and development. These revenues are not representative of our current business, results of operations or prospects.

From the date of our formation in August 1996 through December 1996, we continued to earn a substantial portion of our revenues from amounts paid by third party-licensees of our technology. Beginning in early 1997, we repositioned GlobeSpan as a product company focused on developing,

marketing and selling DSL chip sets and reference design guides. Since the repositioning, royalty revenues from licensees have been a less significant part of our business. In the pro forma year ended December 31, 1996 and the years ended December 31, 1997 and 1998, revenues from licensees accounted for 76.0%, 8.6% and 1.0% of our net revenues, respectively.

Today, substantially all of our net revenues are derived from the sale of DSL chip sets and reference design guides. We recognize revenues at the time we ship our DSL products. We typically sell our products with a 60 day warranty, and we reserve for estimated product returns, which to date have not been significant. We have historically generated substantially all of our revenues from our DSL products that use the CAP line code. In 1998, we introduced a number of new chip sets incorporating additional features and other line code technologies, including 2B1Q, DMT and PAM. These new product introductions have substantially expanded our DSL product offerings, although revenues from such products have been insignificant. In conjunction with repositioning GlobeSpan as a product company, we invested extensively in research and development projects and personnel and have expanded our sales, marketing, general and administrative capabilities. This investment has led to significant hiring which began in early 1997. Our overall headcount increased from 35 employees at December 31, 1996 to 177 employees at December 31, 1998. In particular, during this period we hired 97 additional engineers to develop new products and target future growth opportunities.

Historically, a significant portion of our net revenues in any quarter or annual period has been derived from sales to relatively few customers, and we expect this trend to continue. In the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998, our customers who individually represented at least five percent of our net revenues accounted for 85.5%, 72.6% and 70.1%, of our net revenues in such periods, respectively. In 1996, our top three customers were Lucent Technologies, LG Information & Communications and Ascom Hasler AG, which accounted for 27.2%, 15.9% and 12.0% of our net revenues, respectively. In 1997, our top three customers were LG Information & Communications, Ascom Hasler AG and Westell Technologies, which accounted for 21.4%, 12.5% and 9.6% of our net revenues, respectively. In 1998, our top three customers were Cisco Systems, NEC Corporation and Ascom Hasler AG, which accounted for 48.3%, 12.6% and 9.2% of our net revenues, respectively. We do not have purchase contracts with any of our customers that obligate them to continue to purchase our products, and they could cease purchasing products from us at any time. Because fluctuations in orders from our major customers could cause our net revenues to fluctuate significantly in any given quarter or annual period, we do not believe that period-to-period comparisons of our financial results are necessarily meaningful and should not be relied upon as an indication of future performance.

Historically, a significant portion of our net revenues has been derived from customers outside of North America, and we expect this trend to continue. In 1998, approximately 32.6% of our net revenues were derived from customers outside of North America, of which 11.8% were derived from customers based in Europe, 9.4% were derived from customers based in Asia and 11.4% were derived from customers based in other international markets. All of our net revenues to date have been denominated in United States dollars.

Competition and technological change in the rapidly evolving DSL market has and may continue to influence our quarterly and annual net revenues and results of operations. Average selling prices of our chip sets and associated gross margins tend to be higher at the time we introduce new products and decline over time due to competitive pressures. We expect this pattern to continue with existing and future products. Further, our gross margins are impacted by our customer concentration and product mix. For example, purchases from our major customers are generally at lower average selling prices and certain of our products, such as discrete components, are generally lower margin products.

Our product development and marketing strategy is focused on generating design wins with DSL equipment manufacturers. The sales cycle for design wins includes detailed testing and evaluation of our products, followed by a product development cycle. Due to these cycles, which may be up to 12 months or longer, and because the end-user market for DSL services is an emerging market, we invest significantly in research and development and marketing in advance of generating substantial revenues related to these investments. Additionally, the rate and timing of customer orders may vary significantly from month to month. To date, our backlog has not been significant, has fluctuated from quarter to quarter, and has not been predictive of quarterly results. Accordingly, if sales of our products do not occur when we expect and we are unable to predict or adjust our estimates on a timely basis, our expenses and inventory levels may increase as a percentage of net revenues and total assets, respectively.

Our net losses have resulted from our significant investment in our research and development and in building sales and marketing and general and administrative infrastructure. These expenses have exceeded our gross profits. We expect to continue to invest significantly in this infrastructure in advance of realizing revenues associated with such expenses. Accordingly, we expect to incur substantial operating losses for the foreseeable future.

Results of Operations

The following table sets forth for the periods indicated, certain statement of operations data. Our results of operations are reported as a single business segment.

	PREDECESSOR COMPANY		THE COMPANY		
	SEVEN MONTHS ENDED	FIVE MONTHS ENDED	YEARS ENDED DECEMBER 31,		
	JULY 31, 1996	DECEMBER 31, 1996	PRO FORMA 1996	1997	1998
	(IN THOUSANDS)		(UNAUDITED) (IN THOUSANDS)		
STATEMENT OF OPERATIONS DATA:					
Net revenues	$ 1,597	$2,360	$ 3,957	$22,546	$31,464
Cost of sales	--	496	496	7,565	9,882
Gross profit	1,597	1,864	3,461	14,981	21,582

Operating expenses:				
Research and development.....	2,524	1,616	4,140	8,358
18,694				
Selling, general and				
administrative.....	1,492	644	2,136	4,572
10,217				
Amortization and other.....	--	404	404	1,000
583				
Total operating				
expenses.....	4,016	2,664	6,680	13,930
29,494				
(Loss) income from operations.....	(2,419)	(800)	(3,219)	1,051
(7,912)				
Interest income (expense), net.....	--	--	--	91
(134)				
(Loss) income before income taxes...	(2,419)	(800)	(3,219)	1,142
(8,046)				
Provision (benefit) for income				
taxes.....	--	--	--	300
(217)				
Net (loss) income.....	$(2,419)	$ (800)	$(3,219)	$ 842
$(7,829)				

The following table sets forth, for the periods indicated, certain statement of operations data as a percentage of net revenues. Our results of operations are reported as a single business segment.

	YEARS ENDED DECEMBER 31,		
STATEMENT OF OPERATIONS DATA:	PRO FORMA 1996	1997	1998
Net revenues.....	100.0%	100.0%	100.0%
Cost of sales.....	12.5	33.6	31.4
Gross profit.....	87.5	66.4	68.6
Operating expenses:			
Research and development.....	104.6	37.1	59.4
Selling, general and administrative.....	54.0	20.3	32.5
Amortization and other.....	10.2	4.4	1.9
Total operating expenses.....	168.8	61.8	93.7
(Loss) income from operations.....	(81.3)	4.7	(25.1)
Interest income (expense), net.....	0.0	0.4	(0.4)
(Loss) income before income taxes.....	(81.3)	5.1	(25.6)
Provision (benefit) for income taxes.....	0.0	1.3	(0.7)
Net (loss) income.....	(81.3)%	3.7%	(24.9)%

RESULTS OF OPERATIONS IN THE PRO FORMA YEAR ENDED DECEMBER 31, 1996 AND THE YEARS ENDED DECEMBER 31, 1997 AND 1998 Net Revenues. Our net revenues from product sales are recognized upon shipment of DSL chip sets and reference design guides. Our net revenues were $4.0 million, $22.5 million, and $31.5 million in the pro forma year ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively. These amounts represent increases of 470% from 1996 to 1997 and 39.6% from 1997 to 1998. The increase in revenues from 1996 to 1997 was primarily due to an increase in product sales as we transitioned from generating revenues from licensees to generating revenues from the sale of products. The increase in revenues from 1997 to 1998 was primarily due to the increases in unit volume shipments to existing customers, the expansion of our customer base and the introduction of new products. Net revenues from customers outside of North America represented 40.0%, 49.2% and 32.6% of our net revenues in the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively. Net revenues from

customers outside of North America decreased as a percentage of net revenues from 1997 to 1998 as a result of reduced shipments to existing customers in Asia due to an economic downturn in a number of countries in this region. We expect that revenues generated from customers outside of North America will continue to account for a significant percentage of our net revenues. See "Risk Factors--Sales to Customers Based Outside of North America Have Accounted For a Significant Portion of Our Revenues Which Exposes Us to Inherent Risks of International Business."

Cost of Sales and Gross Profit. Cost of sales consists of the costs of having our chip sets manufactured on a turnkey basis by our suppliers. Gross profit represents net revenues less cost of sales. Our gross profit was $3.5 million, $15.0 million and $21.6 million in the pro forma year ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively. These amounts represent an increase of 333% from 1996 to 1997 and 44.1% from 1997 to 1998. Our gross margin was 87.5%, 66.4%, and 68.6% in the pro forma year ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively. The decrease in gross margin from 1996 to 1997 was directly related to a reduction in revenues from licensees and to an increase in product revenues. The increase in gross margin from 1997 to 1998 resulted from an expanded customer base and lower supplier costs based on greater volumes purchased. The increase in gross profit dollars was the result of higher unit sales. We expect that gross margin will decrease due to a number of factors, including pressures on average selling prices and customer and product mix. In consideration for modifying pricing terms for the sale of GlobeSpan products under certain cooperative development agreements with Paradyne Corporation, GlobeSpan agreed to pay a license fee to Paradyne Corporation on products sold to all customers up to an aggregate amount of $1.5 million. As of March 1999, GlobeSpan had incurred and paid approximately $300,000 to Paradyne Corporation under such arrangement. In connection with terminating the cooperative development agreements and entering into a new Supply Agreement effective December 1998 with Paradyne Corporation, GlobeSpan agreed to pay Paradyne Corporation the remaining $1.2 million which was expected to be incurred during 1999. The $1.2 million will be paid during 1999 and expensed in the first quarter of 1999 as a cost of sales.

Research and Development. Research and development expenditures is primarily comprised of salaries and related expenses of employees engaged in research, design and development activities. It also includes related supplies, license fees for acquired technologies used in research and development, equipment expenses and depreciation and amortization. Our research and development expenditures were $4.1 million, $8.4 million and $18.7 million, in the pro forma year ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively. These amounts represent increases of 102% from 1996 to 1997 and 124% from 1997 to 1998. Research and development expenditures represented 105%, 37.1% and 59.4% of net revenues in the pro forma year ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively. The increase in dollars in 1997 resulted from increased headcount and depreciation expense due to increased fixed assets. The decrease in research and development expenditures as a percentage of net revenues in 1997 resulted from higher net revenues. The increase in dollars and as a percentage of net revenues in 1998 resulted from a significant increase in development efforts in advance of anticipated revenues from such efforts.

In particular, we added a significant number of new personnel and related support. In 1999, our research and development expenditures will increase due to planned increases in personnel, material costs and depreciation resulting from increased capital investment.

Selling, General and Administrative. Selling, general and administrative expense is primarily comprised of salaries and related costs for sales, general and administrative personnel as well as general non-personnel related expenses. Our selling, general and administrative expense was $2.1 million, $4.6 million and $10.2 million in the pro forma year ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively. These amounts represent increases of 114% from 1996 to 1997 and 123% from 1997 to 1998. Selling, general and administrative expense represented 54.0%, 20.3%, and 32.5% of net revenues in the pro forma year ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively. The increase in dollars in 1997 and 1998, and as a percentage of net revenues in 1998, resulted from the addition of sales, marketing, management and administrative personnel and related expenses, including increased commissions, and general business costs. In 1999, we will increase the dollar amount we spend on selling, general and administrative expense.

Amortization and Other. Amortization expense is related to the core technology we acquired in connection with the divestiture by Lucent Technologies of AT&T Paradyne. Amortization was provided on a straight-line basis commencing in August 1996 through July 1998. Our expense for amortization of core technology was $0.4 million, $1.0 million and $0.6 million, in the pro forma year ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively. These amounts represent an increase of 148% from 1996 to 1997 and a decrease of 41.7% from 1997 to 1998.

Interest Income (Expense), Net. Interest income (expense), net is comprised of interest expense from bank borrowings and other debt, net of interest earned on invested cash, and other non-operating expenses. Interest income increased by $0.1 million for the year ended December 31, 1997 due to higher levels of invested cash and decreased by $0.2 million resulting in interest expense of $0.1 million for the year ended December 31, 1998. The increase in interest expense resulted from bank borrowings and other debt.

Income Taxes. We use the liability method of accounting for income taxes prescribed by Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (see Note 8 of Notes to Financial Statements). Our effective tax rate for the year ended December 31, 1997 was 26.3%, which differed from the federal statutory rate primarily due to the utilization of the net operating loss carryforwards generated in 1996 and a reduction of the valuation allowance recorded against deferred tax assets. Since we generated a loss in 1998, a benefit was recorded reflecting a loss carry-back for taxes paid in 1997.

Quarterly Results

The following table sets forth certain unaudited selected quarterly results of operations data for the eight quarters ended December 31, 1998, as well as such data expressed as a percentage of our net revenues. This data has been derived from unaudited financial statements that, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of such information when read in conjunction with our annual audited financial statements and related notes thereto appearing elsewhere in this prospectus.

	QUARTERS ENDED							
	MAR 31, 1997	JUN 30, 1997	SEP 30, 1997	DEC 31, 1997	MAR 31, 1998	JUN 30, 1998	SEP 30, 1998	DEC 31, 1998
	(IN THOUSANDS)							
Net revenues	$2,950	$4,115	$7,670	$7,811	$7,568	$7,683	$7,765	$8,448
Cost of sales	1,068	1,364	3,058	2,075	1,848	2,312	2,328	3,394
Gross profit	1,882	2,751	4,612	5,736	5,720	5,371	5,437	5,054
Operating expenses								
Research and development	1,283	1,467	2,240	3,368	3,249	4,286	5,020	6,139
Selling, general and administrative	777	765	1,204	1,826	1,443	2,556	3,022	3,196
Amortization of core technology	250	250	250	250	250	250	83	0
Total operating expenses	2,310	2,482	3,694	5,444	4,942	7,092	8,125	9,335
(Loss) income from operations	$ (428)	$ 269	$ 918	$ 292	$ 778	$(1,721)	$(2,688)	$(4,281)

As a Percentage of Net Revenues

Net revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	36.2	33.1	39.9	26.6	24.4	30.1	30.0	40.2
Gross profit	63.8	66.9	60.1	73.4	75.6	69.9	70.0	59.8
Operating expenses								
Research and development	43.5	35.7	29.2	43.1	42.9	55.8	64.6	72.7
Selling, general and administrative	26.3	18.6	15.7	23.4	19.1	33.3	38.9	37.8
Amortization of core technology	8.5	6.1	3.3	3.2	3.3	3.3	1.1	0.0
Total operating expenses	78.3	60.3	48.2	69.7	65.3	92.3	104.6	110.5
(Loss) income from operations	(14.5)%	6.5%	12.0%	3.7%	10.3%	(22.4)%	(34.6)%	(50.7)%

Our quarterly operating results have varied significantly in the past and will continue to do so in the future due to a number of factors including, but not limited to, changes in average selling prices, product mix, customer mix and pricing from foundries. In addition, the timing of reserves and level of research and development expenditures could cause quarterly operating results to fluctuate. Accordingly, our operating results for any given quarter or series of quarters are not necessarily indicative of our results for any future period. To date, our backlog has not been significant, has fluctuated from quarter to quarter, and has not been predictive of quarterly results.

In the quarter ended December 31, 1997, our cost of sales decreased in dollars and as a percentage of revenues despite an increase in net revenues, producing a higher gross profit and gross margin. This was primarily due to higher average selling prices and lower costs on products purchased from our foundry. In the quarter ended June 1998, selling, general and administrative expenses increased due primarily to the addition of executive officers and related hiring expenses. In the quarter ended September 1998, our selling, general and administrative expenses increased due to increased hiring and the sublease of office space from Paradyne Corporation. In connection with the relocation of Paradyne Corporation's office, we reimbursed certain of Paradyne Corporation's moving expenses. In the quarter ended December 31, 1998, gross profit decreased in dollars and as a percentage of net revenues from the prior quarter primarily due to a relative increase in sales volume of lower margin products to a major customer. In addition, research and development expenses increased in the quarter ended December 31, 1998 primarily due to increased hiring and license fees of approximately $750,000 to acquire technology used in the development of our products.

Liquidity and Capital Resources

Since inception, we have financed our operations from initial contributions of capital, borrowings on our lines of credit and, in 1997, from ongoing operations. As of December 31, 1998, we had a working capital deficit of approximately $2.7 million and $0.01 million in cash and cash equivalents. We finance and expect to continue to finance our operations from existing sources of capital and the net proceeds from this offering.

Net cash generated by operating activities was $0.9 million in the year ended December 31, 1997. Net cash used in operating activities was $0.7 million and $3.4 million in the five months ended December 31, 1996 and the year ended December 31, 1998, respectively. The increase from 1996 to 1997 and the decrease from 1997 to 1998 was primarily due to the timing of expenditures.

Net cash used in investing activities was $2.0 million, $3.4 million, and $4.8 million in the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively, and related primarily to capital expenditures to support our expanded operations. We may increase our capital expenditures in 1999.

Cash provided from financing activities was $6.0 million, $0.06 million and $7.3 million in the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively, and was provided by an equity investment from Communication Partners, L.P., bank borrowings and

other debt. As of December 31, 1998, we had a revolving line of credit of up to $5.0 million from BankAmerica Business Credit which bears interest at the bank's reference rate plus 1.0%, of which approximately $2.5 million was outstanding. We also had a subordinated borrowings line of credit from Communication Partners, L.P. of up to $10.0 million bearing interest at 8.0%, of which approximately $5.0 million was outstanding. We will use a portion of the net proceeds of this offering to repay all outstanding indebtedness under both the revolving line of credit and the subordinated line of credit, each of which will be available for future borrowings following such repayment. We have no plans to borrow under either the revolving line of credit or the subordinated line of credit immediately following this offering. Our revolving line of credit contains certain financial covenants and restrictions as to various matters including our ability to pay cash dividends or to effect mergers or acquisitions, incur certain other indebtedness or to make certain investments without the bank's prior approval. Borrowings under the revolving line of credit are secured by substantially all of our assets. The revolving line of credit expires January 2000; $5.0 million of the subordinated line of credit expires in March 2000 and $5.0 million in May 2003. See "Use of Proceeds."

We believe that the net proceeds from this offering, our existing cash and cash equivalents and our cash generated from operations, if any, will be adequate to meet our anticipated cash needs for working capital and capital expenditures at least through the end of 1999. Our future capital requirements will depend on many factors, including research and development expenditures, the growth of our sales and marketing efforts and our ability to generate cash through operations. Thereafter, if cash generated from operations and financing activities is insufficient to satisfy our working capital requirements, we may need to borrow funds under our revolving line of credit and/or subordinated line of credit, or seek additional funding through additional bank borrowings, sales of securities or other means. There can be no assurance that we will be able to raise any such capital on terms acceptable to us, if at all.

Our Business Could Be Affected by Year 2000 Issues

The "Year 2000 Issue" refers generally to the problems that some software may have in determining the correct century of the year. Many existing electronic systems, including computer systems, use only the last two digits to refer to a year. Therefore, these systems may recognize a date using "00" as 1900 rather than the year 2000. If not corrected, these electronic systems could fail or create erroneous results when addressing dates on and after January 1, 2000.

In assessing the effect of the Year 2000 Issue on GlobeSpan, we determined that we need to evaluate four general areas:

- Supplier relationships;

- Internal infrastructure;

- Products sold to customers; and - Other third-party relationships.

Supplier Relationships. We are a "fabless" semiconductor company and therefore rely on third party manufacturers to manufacture our chip sets. To date, Lucent Technologies manufactures substantially all of our chip sets. If Lucent Technologies is affected by the Year 2000 Issue, our supply of chip sets could be delayed or eliminated. Any disruption in our supply of chip sets from Lucent Technologies would seriously harm our business, financial condition and results of operations. We are currently seeking assurances from Lucent Technologies that their manufacturing of our chip sets will be unaffected by the Year 2000 Issue but have not received such assurances to date.

Internal Infrastructure. The Year 2000 Issue could also affect our internal systems, including both our information technology and non-information technology systems. We have initiated an assessment of our material internal information technology systems, including third-party software and hardware technology. Based upon representations received from these third-party software and hardware suppliers, we do not believe that our material internal information technology systems will be affected by the Year 2000 Issue. We have also initiated an assessment of our non-information technology internal systems, such as our test facility. Based on our preliminary assessment, we do not believe that our material non-information technology internal systems will be affected by the Year 2000 Issue. However, we may experience serious unanticipated problems and costs caused by undetected errors or defects in the technology used in our internal information technology and non-information technology systems.

Products Sold to Customers. Our chip sets and DSL reference design guides do not contain two digit date codes and therefore are generally unaffected by the Year 2000 Issue. However, once shipped, our chip sets are incorporated into system and board-level products which we do not develop. The performance of our chip sets could be affected if a Year 2000 Issue exists in a different component of a customer's product. We have not, and will not, assess the existence of these potential problems in our customers' products.

We do not currently have any information concerning the Year 2000 compliance status of our customers. Our current or future customers may incur significant expenses to achieve Year 2000 compliance. If our customers are not Year 2000 compliant, they may experience significant costs to remedy problems, or they may face litigation costs. In either case, Year 2000 issues could reduce or eliminate the budgets that current or potential customers could have for purchases of our products and services. As a result, our business, results of operations or financial condition could be materially adversely affected.

Other Third-Party Relationships. We rely on outside vendors for utilities and telecommunication services as well as climate control, building access and other infrastructure services. We are not capable of independently evaluating the Year 2000 compliance of the systems utilized to supply these services. We cannot assure you that these suppliers will resolve any or all Year 2000 Issues with these systems before the occurrence of a material disruption to our business. Any failure of these third parties to resolve Year 2000 Issues with their systems in a timely manner could have a material adverse effect on our business, financial condition or results of operations.

We have not developed a contingency plan to address situations that may result if we are unable to achieve Year 2000 readiness of our critical operations, and we do not plan to do so in the future. Any investigations we have undertaken with respect to Year 2000 Issues have been funded from available cash, and these costs have not been separately accounted for. To date, these costs have not been significant.

Business

Industry Background

The Local Loop Has Become the Bottleneck to High-Speed Data Access Vast amounts of data are carried over the Internet and private communications networks. International Data Corporation estimates that the number of Internet users worldwide was approximately 69 million in 1997 and will reach approximately 320 million in 2002. As the number of end users accessing these networks grows and their use of data-intensive applications increases, the volume of data transmitted over these networks will also continue to grow.

In order to accommodate increasingly high volumes of data, telecommunications service providers have invested significant resources to upgrade central office switching centers and the interconnecting infrastructure, known as the backbone. While these capacity constraints continue to be addressed through the use of high-speed digital and fiber-optic equipment, the network of twisted pair copper telephone wires that connects end users to central office switching centers, known as the local loop, remains a bottleneck that limits high-speed data transmission.

[Graphic depicting impairment of high-speed data transmission over copper telephone wires connecting end users to telecommunications service providers' central office switching centers.]

According to the International Telecommunications Union, more than 700 million copper telephone wires have been installed worldwide primarily by local telecommunications service providers. This local loop infrastructure was originally designed for lower-speed voice traffic rather than higher-speed data transmission. As a result, access to the Internet and private communications networks using standard dial-up connections over the local loop has typically been limited to data transmission rates of only 28.8 Kbps to 56 Kbps, often requiring several minutes to several hours to download large data-intensive files. This bottleneck has frustrated end users and limited the capability of service providers to deliver high-speed applications such as efficient Internet access, telecommuting and branch office internetworking.

New Competition to Provide High-Speed Data Access The Telecommunications Act of 1996 has enabled new entrants, such as competitive local exchange carriers (CLECs) and Internet service providers (ISPs) to offer data and voice services over the local loop. In addition, providers of other access technologies, including cable and wireless companies, are challenging traditional

telecommunications service providers. As the volume of data traffic increases, both traditional and emerging telecommunications service providers are rushing to deploy high-speed data services, which has become a key competitive service offering.

DSL Technology Enables High-Speed Data Transmission Over Copper Telephone Wire Digital subscriber line (DSL) technology utilizes sophisticated digital signal processing techniques to achieve high-speed data transmission over existing copper telephone wires. DSL equipment, when deployed at each end of a copper telephone wire, enables data transmission speeds of 128 Kbps to 52 Mbps, depending on the length and condition of the copper telephone wire.

DSL technology addresses different high-speed data transmission service requirements resulting in several configuration options. Symmetric transmission technologies, such as high bit rate DSL (HDSL), symmetric DSL (SDSL) and multi-rate symmetric DSL (MSDSL), provide equal data transmission rates between the central office and the end user. These configurations are therefore most ideally suited for applications such as telecommuting and branch office internetworking, which require equal data transmission rates in both directions. Asymmetric transmission technologies, such as asymmetric DSL (ADSL) and rate-adaptive asymmetric DSL (RADSL), provide greater downstream transmission rates towards the end user than upstream from the end user. Applications most efficiently served by asymmetric technologies include Internet access where data traffic flows primarily downstream.

DSL products utilize different coding techniques to transmit data reliably over copper telephone wires. These coding techniques, or line codes, include two bits per quadrant (2B1Q), carrierless amplitude phase modulation (CAP), discrete multitone modulation (DMT), and pulse amplitude modulation (PAM). 2B1Q, CAP and PAM are used for symmetric applications. CAP and DMT are used for asymmetric applications. To date, most large volume DSL service deployments have used CAP and 2B1Q line codes.

The Demands of DSL Service Providers DSL services are in the initial phases of worldwide deployment. To present a compelling alternative to other data transmission services, DSL services must:

- Reach a large potential end user base;

- Provide low equipment, installation and maintenance costs; and - Be tested and proven through field deployment.

Telecommunications service providers rely on DSL equipment manufacturers to meet these requirements.

The Opportunity for Developers of DSL Integrated Circuits DSL equipment manufacturers are striving to meet the requirements of telecommunications service providers by designing high performance DSL products. In order to minimize time-to-market, development costs and product size, DSL equipment manufacturers use increasingly complex integrated circuits which account for a large portion of the value-added proprietary content of such products. However, DSL equipment manufacturers often lack the core technology expertise in signal processing, signal conversion and communications algorithms that is required to develop these integrated circuits. In addition, these solutions must overcome real-

world impairments of the local loop, such as line noise, which could otherwise degrade data transmission performance. As a result of these factors, DSL equipment manufacturers are turning to a new breed of integrated circuit developers that possess the core technology and expertise required to develop DSL chip sets. Successful solutions must offer field-proven technology, high performance, high levels of system integration, low power consumption, flexibility to enhance features and performance, rapid time-to- market and competitive total system cost.

The Globespan Solution

GlobeSpan Semiconductor Inc. is a leading worldwide developer of DSL integrated circuits which enable high-speed data transmission over the local loop. We sell our integrated circuits to manufacturers of DSL equipment for incorporation into products which are sold to telecommunications service providers and end users. We believe we provide our customers with significant value created by our leading DSL integrated circuit chip sets, our long heritage in the DSL market, our understanding of DSL equipment manufacturers, service provider and end user needs, and our strong sales and support organizations. Key elements of our solution include:

Long History of DSL Experience. We have leveraged six years of field experience in implementing DSL technology to successfully bring proven DSL chip set solutions to market. Our core engineering team includes several individuals who were early developers of DSL technology at AT&T Bell Labs in 1988.

One Million Chip Sets Sold. We have established a proven track record, having shipped more than one million DSL chip sets. This represents a significant share of the emerging DSL integrated circuit market.

Broad Suite of DSL Chip Sets. We offer a broad suite of DSL solutions, including ADSL, RADSL, HDSL, HDSL2, SDSL and MSDSL chip sets which use the 2B1Q, CAP, DMT and PAM line codes.

Complete System-on-a-Chip. Our system-on-a-chip solutions provide significant density, power and cost advantages by integrating the functionality of multiple discrete components, such as memory, microprocessors or framers, onto a single chip.

High Performance. Our chip sets are capable of performing billions of operations per second. We believe the high performance capability of our chip sets enables us to deliver one of the industry's longest reach per data transmission rate which allows telecommunications service providers to offer services to a larger customer base.

Software Flexibility. Our chip sets are highly programmable. Our customers are able to enhance or reconfigure their products through downloads of our software rather than through costly replacement or modification of their installed DSL system products. This flexibility enables telecommunications service providers to optimize performance and keep pace with changing industry requirements, including features and standards compliance.

Competitive Total System Cost. Our high levels of integration lead to low power consumption and density advantages, thereby maximizing the number of transceivers that can be incorporated into a DSL central office system. Higher transceiver density enables telecommunications service providers to connect a larger number of end users with their central office equipment thereby reducing total cost per end user.

Advanced Systems-Level Expertise. Our systems-level expertise enables us to offer chip sets which can be cost effectively incorporated into complete DSL systems and which contribute to optimizing the performance of these systems in the local loop environment. As a result we provide comprehensive step-by-step DSL reference design guides that enable our customers to rapidly bring robust DSL systems to market.

Strong Technical Support. We provide superior technical support throughout the design and test process to minimize our customers' cost and time to deploy. We also provide comprehensive field support to ensure that our customers' products perform optimally in real world environments.

Standards Compliance. We actively participate in the formulation of DSL standards which enables us to monitor industry trends and refine our product development efforts to bring standards-compliant solutions to market.

We believe these compelling advantages and design attributes position us as the preferred design partner and supplier of integrated circuits for all DSL applications.

Strategy

Our objective is to be the leading provider of integrated circuits for all DSL applications. Key elements of our strategy include:

Maximize Design Win Market Share. Our strategy is to maximize the number of design wins with both new and existing customers. A design win represents a customer's initial commitment to develop a product incorporating our chip sets. We believe design wins are strategically important because once a customer has designed our chip sets into its product, that customer is more likely to continue to choose our solutions for additional products. Furthermore, achieving the broadest number of design wins creates an opportunity to capitalize on the success of any one of our customers' DSL products. We maximize our ability to compete for design wins by leveraging our extensive sales representative organization to access the greatest number of customers and further penetrate our existing customer base.

Target All Applications Within the DSL Market. Our strategy is to provide the necessary technologies to enable all applications within the DSL market. We have introduced or announced chip sets based upon ADSL, RADSL, HDSL, HDSL2, SDSL and MSDSL technologies which use 2B1Q, CAP, DMT and PAM line codes. Our chip sets are used in both central office and customer locations to enable high

speed data applications such as Internet access, telecommuting and branch office internetworking. We will continue to monitor industry trends and refine our product development efforts to target emerging DSL applications.

Strengthen and Broaden Technology Leadership. Our strategy is to continue to build upon our strong technology core competencies to maintain our position as a technology leader in the DSL market. We are currently investing substantial development resources in system-level knowledge, communications algorithms, signal processing and signal conversion. Specifically, we are devoting resources to extend reach by enhancing our high performance algorithms and to increase system integration by embedding more system functions on a single integrated circuit. We invest significant resources in research and development and will continue to work closely with our customers to develop new and enhanced solutions that address next-generation DSL market opportunities.

Leverage Advanced Systems-Level Expertise. Our strategy is to leverage our advanced systems-level expertise to develop and market chip sets that can be cost effectively and rapidly incorporated into complete DSL systems manufactured by our customers. This strategy enables our customers to optimize time-to-market, performance and system cost. By working closely with our customers throughout the design and deployment process, we gain valuable insights and are often able to anticipate their needs and incorporate value-added functionality onto our chip sets. We gain additional insights by continually testing our solutions against real-world models of DSL networks to verify their performance in harsh and unpredictable deployment environments. We have built a state-of-the-art system test facility which we use to validate the performance of our chip sets and which we make readily available to our customers to test their DSL systems. We plan to continue to expand and improve this capability. Furthermore, we will continue to provide comprehensive reference design guides that enable our customers to apply our systems-level expertise to their products.

Drive Industry Standards. We actively participate in the formulation of critical standards for high-speed data transmission markets. We believe such participation accelerates and expands the development of markets for our products and provides valuable insights and relationships which assist us in directing our product development efforts to target emerging market opportunities.

Technology Core Competency

Our key competitive advantage is founded in our technology expertise encompassing the entire DSL design process from the development of custom integrated circuits to their integration into a system solution. To address the technology challenges of DSL transmission, we have developed and will continue to build upon our primary technology core competencies, including systems-level knowledge, communications algorithms, digital signal processing and signal conversion.

Systems-Level Knowledge. Our systems-level knowledge has been developed through years of field installation experience and working relationships with over 100 equipment manufacturer customers. As a result, we have an advantage in understanding the harsh and varying conditions of the local loop. This environment is characterized by various impairments that impact DSL operations and make

reliable high-speed data transmission difficult to achieve. These factors include bridge taps, cross-talk from adjacent wires in the same wire bundle, signal attenuation and impulse noise spikes, among others. To minimize the effects of these impairments, we will continue to incorporate our understanding of these factors into our DSL chip set designs. We have also leveraged our systems-level expertise to create a state-of-the-art system test facility to validate the performance and operation of new DSL designs. We have invested significant resources in automating our test facility 35 to maximize the efficiency and repeatability of our tests. We will continue to make our test facility readily available to our customers to verify the performance of their DSL products.

Communications Algorithms. A key component of our continued success is the expertise that we have developed in the areas of communications theory and algorithms. Communications algorithms are the processes and techniques used to transform a digital data stream into a specially-conditioned analog signal suitable for transmission across copper telephone wires. At the receiving end of the copper telephone wire, our algorithms process the analog signal and transform this data into a digital form without introducing data errors. We invest significant resources to maintain our technology leadership in the development of communications system algorithms in the areas of start-up training, coding for forward error correction, line codes, echo cancellation, adaptive equalizers, digital filter design and transmission line analysis. Our broad theoretical knowledge base, coupled with our extensive DSL field experience, has enabled our technology team to generate comprehensive DSL system models utilizing computer-aided design tools. These models are used to design our complex algorithms and to determine performance and architectural requirements for our digital communications processor and analog front end chips. Ultimately, the knowledge gained from these simulations, combined with the advantages of our programmable platform, enables us to optimize algorithm designs for specific DSL applications across a broad range of local loop conditions.

Digital Signal Processing. Digital signal processing, as it relates to DSL applications, is a means of encoding digital data for transmission over bandwidth limited media, such as copper telephone wires, and recovering the encoded data at the receiving end. This process requires very high-speed, high-precision silicon engines to meet the performance specifications of telecommunications service providers. We are a leader in the design of high-performance, low-power, silicon-efficient, digital communications processors which optimize digital signal processing for DSL applications. Our digital communications processor is based on a proprietary architecture that incorporates concurrent multi-tasking, multi-processor digital signal processing engines. Our digital communications processor architecture provides system design flexibility without the inherent power and costs normally associated with conventional, general purpose digital signal processors. The performance and flexibility of our digital communications processor enables our customers to implement multiple DSL configurations using different line codes through a simple software download.

Signal Conversion. Signal conversion is a component of our solution that transforms digital signals into analog signals that are suitable for transmission over copper telephone wires. Our analog front end includes a custom integrated circuit that performs the signal conversion function, as well as a combination of discrete components such as resistors, capacitors, linear amplifiers and transformers.

Our analog front end provides several programmable analog functions critical to achieving high-speed and long-reach performance. Our analog front end is capable of operating over a wide array of signal amplitudes and frequency ranges associated with different line codes.

Products

We offer a broad suite of DSL chip set solutions. A typical product offering includes a chip set, consisting of a digital communications processor and an analog front end, a DSL reference design guide and software.

Our DSL chip sets are software programmable, enabling a broad range of data transmission rates, performance enhancements, feature upgrades and compliance with industry standards. We have been producing high volumes of our current chip sets for over two years and have shipped more than one million chip sets. Our comprehensive step-by-step DSL reference design guides include schematics, bills of materials, circuit board layouts, application interface programs and debug guides. Our DSL reference design guides enable equipment manufacturers to bring robust systems to market quickly and cost-effectively.

Our chip sets and reference design guides are optimized for specific DSL applications, resulting in a variety of configuration options. Our products offer alternative packaging and bus interface options, and standards-based line codes.

HDSL. High bit rate digital subscriber line (HDSL) is a cost-effective alternative to traditional repeatered T1 and E1 data services for business applications. HDSL provides symmetric transmission over two pairs of copper telephone wires at data transmission rates of T1 (1.544 Mbps)/ E1 (2.048 Mbps). We currently offer HDSL chip sets using CAP or 2B1Q line codes which incorporate a single or dual channel digital communications processor and an analog front end. Our HDSL product is the first chip set capable of implementing both line codes recommended by the American National Standards Institute Technical Report TR28 draft 2 and the International Telecommunications Union standard G.991.

HDSL2. HDSL2 is a next generation HDSL configuration that provides symmetric transmission over one pair of copper telephone wires rather than two pairs, resulting in a more network-efficient and cost-effective solution. We currently offer HDSL2 chip sets using the PAM line code which incorporate a single channel digital communications processor and an analog front end. Our HDSL2 chip set is designed to meet the HDSL2 draft standard T1E1 4/99-006 R1 currently being defined in the United States by the American National Standards Institute.

SDSL. Symmetric digital subscriber line (SDSL) is a cost-effective alternative to traditional repeatered T1 and E1 data services for business applications. SDSL provides symmetric transmission over one pair of copper telephone wires and provides T1/E1 data rates. We currently offer SDSL chip sets using the CAP line code which incorporate a single or dual channel digital communications processor and an analog front end. Our SDSL chip set is designed to meet the International Telecommunications Union G.991.1 standard.

MSDSL. Multi-rate symmetric digital subscriber line (MSDSL) is used to provide cost-effective symmetric transmission over one pair of copper telephone wires at data transmission rates ranging from 144 Kbps to 2.3 Mbps depending upon the available data transmission rates of the relevant service provider. We currently offer MSDSL chip sets using the CAP or 2B1Q line codes which incorporate a single or dual channel digital communications processor and an analog front end.

ADSL and RADSL. Asymmetric digital subscriber line (ADSL) and rate adaptive asymmetric digital subscriber line (RADSL) are used to provide cost effective, high-speed local loop access for Internet and other applications where data flows downstream to the end user faster than it does upstream from the end user. ADSL provides asymmetric transmission over one pair of copper telephone wires with downstream data transmission rates ranging from 90 Kbps to 8.0 Mbps and upstream data transmission rates ranging from 45 Kbps to 1.1 Mbps. ADSL allows the telephone line to be used simultaneously for voice and data transmission. We currently offer ADSL chip sets which incorporate an analog front-end and a dual channel digital communications processor chip using the CAP line code or a single channel digital communications processor chip using the DMT line code, or a single channel digital communications processor using both CAP and DMT line codes. Our ADSL chip sets are designed to meet the American National Standards Institute standard specification T1.413 for the 8 Mbps DMT line code configuration and the International Telecommunications Union standard G.992.2 for the 1.5 Mbps DMT line code configuration (commonly called G.lite).

The following table summarizes our DSL product families, their key functions, data transmission rates and introduction dates.

PRODUCT DATA INTRO. FAMILY FUNCTION TRANSMISSION RATES DATE GS9070 ASIC chip used to connect our G2710, G7060, or Not Applicable 1Q99 G7061 chip sets to PCI bus and V.90 voice band modems for PC applications. G7070 Multi-mode RADSL single channel chip set for Downstream -- 90 Kbps to 8.0 Mbps 4Q98 asymmetric transmission over one wire pair using Upstream -- 45 Kbps to 1.1 Mbps DMT or CAP line code. Includes integrated framer. G7060 RADSL single channel chip set for asymmetric Downstream -- 90 Kbps to 8.0 Mbps 4Q98 transmission over one wire pair using DMT line Upstream -- 45 Kbps to 1.1 Mbps code. Includes integrated framer. G7061 RADSL (G.lite) single channel chip set for Downstream -- 90 Kbps to 1.5 Mbps 4Q98 asymmetric transmission over one wire pair using Upstream -- 45 Kbps to 540 Kbps DMT line code. Includes integrated framer. G2237 HDSL2 single channel chip set for symmetric T1 (1.544 Mbps)/E1 (2.048 Mbps) 4Q98 transmission over one wire pair using PAM line code. Includes integrated framer. G2232 SDSL single or dual channel chip set for T1 (1.544 Mbps)/E1 (2.048 Mbps) 4Q98 symmetric transmission over one wire pair using CAP line code. Includes integrated framer. G2216 MSDSL single or dual channel chip set for 144 Kbps to 1.1 Mbps 4Q98 symmetric transmission over one wire pair using 2B1Q line code. Includes integrated framer and analog front end. G2214 MSDSL single or dual channel chip set for 144 Kbps to 2.3 Mbps 4Q98 symmetric transmission over one wire pair using CAP line code. Includes integrated framer. G2710 RADSL single or dual channel chip set for Downstream -- 90 Kbps to 7.2 Mbps 3Q98 asymmetric transmission over one wire pair using Upstream -- 45 Kbps to 1.1 Mbps CAP line code. Includes integrated framer. G2213 HDSL dual channel chip set for symmetric T1 (1.544 Mbps)/E1 (2.048 Mbps) 3Q98 transmission over two wire

pairs using CAP line code. Includes integrated framer. G2212 HDSL dual channel chip set for symmetric T1 (1.544 Mbps)/E1 (2.048 Mbps) 3Q98 transmission over two wire pairs using 2B1Q line code. Includes integrated framer and analog front end. MDT-x6-01 MSDSL single channel chip set for symmetric 144 Kbps to 1.1 Mbps 3Q98 transmission over one wire pair using 2B1Q line code. HDT-12-0x HDSL single channel chip set for symmetric T1 (1.544 Mbps)/E1 (2.048 Mbps) 4Q97 transmission over two wire pairs using 2B1Q line code. MDT-x4-01 MSDSL single channel chip set for symmetric 144 Kbps to 2.3 Mbps 2Q97 transmission over one wire pair using CAP line code. SDT-32-03 SDSL single channel chip set for symmetric T1 (1.544 Mbps)/E1 (2.048 Mbps) 1Q97 transmission over one wire pair using CAP line code. HDT-13-0x HDSL single channel chip set for symmetric T1 (1.544 Mbps)/E1 (2.048 Mbps) 2Q96 transmission over two wire pairs using CAP line code. RDT-x0-01 RADSL single channel chip set for asymmetric Downstream -- 90 Kbps to 7.2 Mbps 2Q96 transmission over one wire pair using CAP line Upstream -- 45 Kbps to 1.1 Mbps code.

Sales, Marketing and Technical Support

Our strategy is to expand the breadth of our customer base by leveraging our extensive worldwide sales representative organization, comprised of approximately 31 firms with over 250 professionals. This organization is directed by our six sales managers and is supported by our technical marketing professionals, applications engineers and development engineers. Our sales effort has resulted in a customer base of more than 100 DSL equipment manufacturers who have purchased chip sets and DSL reference design guides. Our strategy has enabled us to spread our sales efforts across a much larger base of customers than would otherwise be possible using only a direct sales model. Furthermore, it has been our experience that once we successfully penetrate a new account, we become better positioned to secure additional design wins.

Providing comprehensive DSL reference design guides to our customers is integral to our sales strategy. Our design materials are intended to enable our customers to effectively incorporate our chip sets into their DSL systems and to achieve a faster time-to-market. This reduces the necessary level of customer support and allows for a greater allocation of our sales effort to target future design wins.

We provide superior technical support throughout the design and test process to accelerate our customers' time-to-market. We also provide comprehensive field support to ensure that our customers' products perform optimally in real world deployment environments.

Customers

We sell our products worldwide to over 100 companies that manufacture data communications products. Customers from which we recognized at least $500,000 in revenues in 1998 include Ascom Hasler AG, C-Com Corporation, Cisco Systems, LG Information & Communications, NEC Corporation, Paradyne Corporation, Schmid Telecommunications and Westell Technologies. Our chip sets are incorporated by our customers into the following products:

- Digital subscriber line access multiplexers (DSLAMs), which are used to terminate up to hundreds of lines in a central office and aggregate them onto high-speed lines for transmission to the communications backbone;

- DSL modems, which are customer premises products that enable high-speed data transmission over the local loop;

- DSL-compatible routers, which are used to connect one or more personal computers to the local loop; and - Personal computer DSL cards, which are used to connect a personal computer directly to the local loop.

Our customers market their products to public and private telecommunications service providers. These service providers include traditional telephone companies, competitive local exchange carriers, Internet service providers, businesses and government entities.

We depend on a relatively small number of customers for a large percentage of our revenues. In the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998, our customers who individually represented at least five percent of our net revenues accounted for 85.5%, 72.6% and 70.1%, respectively, of our total net revenues. In 1996, our top three customers were Lucent Technologies, LG Information & Communications and Ascom Hasler AG which accounted for 27.2%, 15.9% and 12.0% of our net revenues, respectively. In 1997, our top three customers were LG Information & Communications, Ascom Hasler AG and Westell Technologies, which accounted for 21.4%, 12.5% and 9.6% of our net revenues, respectively. In 1998, our top three customers were Cisco Systems, NEC Corporation and Ascom Hasler AG, which accounted for 48.3%, 12.6% and 9.2% of our net revenues, respectively. We do not have purchase contracts with any of our customers that obligate them to continue to purchase our products and these customers could cease purchasing our products at any time. See "Risk Factors--The Loss of One or More of Our Key Customers Would Adversely Affect Our Business and Results of Operations."

Research and Development

Our core engineering team, including several individuals who were early developers of DSL technology at AT&T Bell Labs, has substantial expertise in DSL technology. Since our founding in August 1996, we have invested significant resources to expand our research and development group. As of December 31, 1998, approximately 80 of our approximately 123 research and development engineers had advanced degrees, including approximately 25 with Ph.Ds. These engineers are involved in advancing our technology core competencies and our product development activities. Recently, we have been devoting a significant portion of our research and development expenditures to products incorporating new features and line codes, such as 2B1Q, DMT and PAM.

We believe that we must continually enhance the performance and flexibility of our current products, and successfully introduce new products to maintain our leadership position. In 1999, our research and development expenditures will increase due to planned increases in personnel, material costs and depreciation resulting from higher capital expenditures. Our research and development expenditures

in the pro forma year ended December 31, 1996, and the years ended December 31, 1997 and 1998, were $4.1 million, $8.4 million and $18.7 million, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Manufacturing

Our manufacturing objective is to produce reliable, high quality integrated circuits at competitive prices and to achieve on-time delivery of our products to our customers. We outsource the manufacturing of our integrated circuits which enables us to concentrate our resources on the design, development and marketing of our products where we believe we have greater competitive advantages, and to eliminate the high cost of owning and operating a semiconductor wafer fabrication facility.

Our long-term strategy is to qualify new foundries to provide additional manufacturing capacity and to access diverse manufacturing technologies. We intend to secure multiple sources of wafer fabrication to reduce our dependence on any single foundry. There can be no assurance that we will be able to successfully qualify and implement such arrangements.

We do not own or operate a semiconductor fabrication facility. We depend on Lucent Technologies to timely deliver to us sufficient quantities of fully-assembled and tested chip sets on a turnkey basis. We have had a series of manufacturing arrangements with Lucent Technologies, the latest of which became effective in March 1999. Under this agreement, Lucent Technologies will fill our orders for our current chip sets in accordance with agreed-upon quantity, price, lead-time and other terms. The agreement also contains procedures for establishing Lucent Technologies as a manufacturer of future chip sets for us. This agreement, however, does not guarantee that Lucent Technologies will adequately fill our orders for current chip sets (either in quantity or timing), or that we will be able to negotiate mutually satisfactory terms for manufacturing our future chip sets. Further, although the March 1999 agreement has a term of three years for the supply of current chip sets, Lucent Technologies has the right to discontinue the supply of any chip set upon 12 months' notice (as long as Lucent Technologies fills our orders for commercially reasonable quantities of that chip set during the notice period). In addition, Lucent Technologies' ability to manufacture our chip sets is limited by its available capacity, and under some circumstances Lucent Technologies may allocate its available capacity to its other customers. Any disruption in availability of our products would have a serious adverse impact on our business. If we are required for any reason to seek a new manufacturer of our chip sets, a new manufacturer of our chip sets may not be available and in any event switching to a new manufacturer would require six months or more and would involve significant expense and disruption to our business.

Competition

The DSL chip set market is intensely competitive. We expect competition to intensify as current competitors expand their product offerings and new competitors enter the market. We believe that we must compete on the basis of a variety of factors, including time to market, functionality, conformity to

industry standards, performance, price, breadth of product lines, product migration plans, and technical support.

We believe our principal competitors include:

- For ADSL products based on the American National Standards Institute standard T1.413, Alcatel, Analog Devices Inc., Motorola and Texas Instruments, among others;

- For G.lite products based on the International Telecommunications Union standard G.992.2, Alcatel, Analog Devices Inc., Centillium Technology Corporation, Lucent Technologies and Texas Instruments, among others; and - For HDSL, SDSL, MSDSL and HDSL2 products, Conexant Systems, Level One Communications and MetaLink, among others.

In addition to these competitors, there have been growing numbers of announcements by other integrated circuit companies that they intend to enter the DSL chip set market.

Further, many of our customers face competition from companies, such as Orckit Communications and PairGain Technologies, which design their own chip sets. Because these companies do not purchase all of their chip sets from suppliers such as us, if these competitors displace our customers in the DSL equipment market, our customers would no longer need our products, and our business, financial condition and results of operations would be seriously harmed.

Many of our competitors have greater name recognition, their own manufacturing capabilities, significantly greater financial and technical resources, and the sales, marketing and distribution strengths that are normally associated with large multinational companies. These competitors may also have pre-existing relationships with our customers or potential customers. These competitors may compete effectively with us because in addition to the above-listed factors, they more quickly introduce new technologies, more rapidly or effectively address customer requirements or devote greater resources to the promotion and sale of their products than we do. Further, in the event of a manufacturing capacity shortage, these competitors may be able to manufacture products when we are unable to do so.

As the DSL market matures, the industry may become subject to increasing price competition driven by the lowest cost providers of chip sets. We anticipate that average per unit selling prices of DSL chip sets will continue to decline as product technologies mature. If we are unable to reduce our costs sufficiently to offset declines in the average per unit selling prices or are unable to introduce new higher performance products with higher average per unit selling prices, our operating results will be seriously harmed. Since we do not manufacture our own products, we may be unable to negotiate volume discounts with our foundries in order to reduce the costs of manufacturing our chip sets in response to declining average per unit selling prices. Many of our competitors are larger with greater resources and therefore may be able to achieve greater economies of scale and would be less vulnerable to price competition. Our inability to achieve manufacturing efficiencies would have an adverse impact on our operating results.

Intellectual Property

Our success depends significantly upon our ability to protect our intellectual property. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or obtain and use information that we regard as proprietary. In the past, competitors have recruited our employees who have had access to our proprietary technologies, processes and operations. Our competitors' recruiting efforts, which we expect will continue, expose us to the risk that such employees will misappropriate our intellectual property. For example, in June 1998, we filed suit against three former employees who recently began employment with one of our competitors. Our lawsuit alleges misappropriation of trade secrets. See "-- Litigation."

We rely in part on patents to protect our intellectual property. We have 28 patents in the United States and 15 patents in other countries. Our patents principally cover various aspects of systems and features relating to telecommunications technologies and telecommunications products, including certain aspects specifically pertaining to particular DSL algorithms and DSL communications systems. Our patents have expiration dates ranging from 2009 to 2017. In addition, we have 42 patent applications pending in the United States Patent and Trademark Office. We also have 53 patent applications pending in various countries other than the United States. These patents may never be issued. Even if these patents are issued, taken together with our existing patents, they may not provide sufficiently broad protection to protect our proprietary rights, or they may prove to be unenforceable. To protect our proprietary rights, we also rely on a combination of copyrights, trademarks, trade secret laws, contractual provisions, licenses and maskwork protection under the Federal Semiconductor Chip Protection Act of 1984. We also enter into confidentiality agreements with our employees, consultants and customers and seek to control access to, and distribution of, our other proprietary information.

The laws of some foreign countries do not protect our proprietary rights to as great an extent as do the laws of the United States, and many U.S. companies have encountered substantial infringement problems in such countries, some of which are countries in which we have sold and continue to sell products. There is a risk that our means of protecting our proprietary rights may not be adequate. For example, our competitors may independently develop similar technology, duplicate our products or design around our patents or our other intellectual property rights. If we fail to adequately protect our intellectual property, it would be easier for our competitors to sell competing products.

Employees

As of December 31, 1998, we had 177 full-time employees, including 123 employees engaged in research and development, 30 engaged in sales and marketing and 24 engaged in general and administrative activities. Our employees are not represented by any collective bargaining agreements, and we have never experienced a work stoppage. We believe our employee relations are good.

Properties

We sublease our facility in Red Bank, New Jersey, which has approximately 50,000 square feet, pursuant to a sublease agreement that expires April 2002. This facility comprises our headquarters, administration, sales and marketing and research and development departments. We believe we have adequate space, and any additional space required will be available to us on commercially reasonable terms.

Litigation

In June 1998, we filed suit against Hanan Herzberg, Selvaraj Seetharaman and Xiao-Feng Qi in the Superior Court of New Jersey seeking compensatory damages, costs and attorneys' fees and injunctive relief based on allegations of misappropriation of trade secrets. In April 1998, the defendants terminated their employment with our company and subsequently began employment with Level One 42 Communications, a competitor in the DSL industry. No counterclaim has been asserted against us. Due to the nature of litigation and because the lawsuit is at an early stage, we cannot ascertain the availability of injunctive relief or other equitable remedies or estimate the total expenses, possible recovery or settlement value, if any, that may be ultimately awarded or incurred in connection with this suit. We believe that this matter will not have a material adverse effect on our results of operations or financial condition. However, this litigation could be time consuming and costly, and there can be no assurance that we will necessarily prevail given the inherent uncertainties in litigation.

Management

Executive Officers, Key Employees and Directors

The executive officers, key employees and directors of GlobeSpan, and their ages as of March 11, 1999, are as follows:

Name Age Position

Armando Geday(c)	37	President, Chief Executive Officer and Director
Robert McMullan	44	Chief Financial Officer, Vice President, Treasurer and Secretary
Thomas Sennhauser	44	Chief Operating Officer
Nicholas Aretakis	37	Vice President, Worldwide Sales
Clete Gardenhour	60	Vice President, Business Development
Daniel Amrany	47	Chief Technology Officer
Angelo Stephano	37	Vice President, Worldwide Marketing
Russ Bell	42	Vice President, Technology Planning
James Coulter(a)(c)	39	Director
Dipanjan Deb(b)	29	Director
Thomas Epley(a)(c)	58	Director

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Keith Geeslin(b).....................  46    Director
David Stanton(a)(c)..................  36    Director
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(a) Member of Compensation Committee (b) Member of Audit Committee (c) Member of Executive Committee Armando Geday has served as President and Chief Executive Officer of GlobeSpan since April 1997 and as a director of GlobeSpan since April 1997. From June 1986 to March 1997, Mr. Geday was Vice President and General Manager of the Multimedia Communications Division of Rockwell Semiconductor Systems. Prior to June 1986, Mr. Geday held several other marketing and general management positions at Rockwell. Prior to Rockwell, Mr. Geday was product marketing manager at Harris Semiconductor. Mr. Geday received a B.S. in Electrical Engineering from the Florida Institute of Technology.

Robert McMullan has served as Chief Financial Officer of GlobeSpan since July 1998. From November 1990 to March 1998, Mr. McMullan was employed by The BISYS Group, Inc., an outsourcer to the financial services industry, where he served as Executive Vice President and Chief Financial Officer. Mr. McMullan received a B.A. in Business Administration from St. Michael's College.

Thomas Sennhauser has served as Chief Operating Officer of GlobeSpan since June 1998. From November 1993 to May 1998, Mr. Sennhauser was at Siemens Microelectronics, Inc., where he was Vice President of Signal Processing Integrated Circuits. From 1990 to 1992, Mr. Sennhauser was Managing Director of the largest foreign subsidiary of Societe Suisse de Microelectronique et Horlogerie, and from 1980 to 1989, worked at Intel Corporation in various marketing and manufacturing positions. Mr. Sennhauser received two Masters degrees, one in International Management from the American Graduate School of International Management, and the other in Electrical Engineering from the Swiss Federal Institute of Technology, Zurich, Switzerland.

Nicholas Aretakis has served as Vice President, Worldwide Sales of GlobeSpan since May 1998. From July 1994 to April 1998, Mr. Aretakis served as Vice President of Marketing and Sales at ESS Technology, Inc., a developer of audio, digital video and modem/fax communication semiconductors and software products for the personal computing industry. Prior to joining ESS Technology Inc., Mr.

Aretakis held senior sales and marketing positions at SEEQ Technology, Inc., a developer of LAN and memory semiconductors and software, and Microchip Technology, a manufacturer of RISC-based microcontrollers and specialized memory products. Mr. Aretakis received a B.A. in Mathematics from Hobart College and a B.S. in Electrical Engineering from Columbia University.

Clete Gardenhour has served as Vice President, Business Development of GlobeSpan since May 1998. From August 1996 to August 1998, Mr. Gardenhour was Executive Director of Worldwide Sales for GlobeSpan. From January 1992 to August 1996, Mr. Gardenhour was responsible for technology planning and business development of DSL technology with AT&T Paradyne Corporation and served as Senior Vice President and General Manager of Paradyne's Modem and Network Management business. Mr. Gardenhour received a B.S. in Electrical Engineering from the Georgia Institute of Technology and a Masters degree in Management of Technology from the University of Miami.

Daniel Amrany has served as Chief Technology Officer of GlobeSpan since October 1998. From August 1996 to October 1998, Mr. Amrany was director of VLSI development for GlobeSpan. In January 1985, Mr. Amrany founded Amra-Tech, a VLSI consulting firm, which developed the VLSI devices for Bell Labs' voice band modems and DSL products. Mr. Amrany served as Vice President of Amra-Tech from January 1985 to August 1996. Prior to 1985, Mr. Amrany worked at Perkin-Elmer, ITT Industries and Intel Corporation. Mr. Amrany holds more than ten patents in various telecom, digital TV, and semiconductor disciplines and received a B.S. in Electrical Engineering from Tel Aviv University.

Angelo Stephano has served as Vice President, Marketing of GlobeSpan since August 1998. From June 1996 to August 1998, Mr. Stephano was the Director of Marketing for Rockwell Semiconductor Systems' Multimedia Communications Division. From June 1994 to June 1996, Mr. Stephano was the Manager of Marketing for the same division of Rockwell International. Mr. Stephano received a B.S. in Electrical Engineering from Syracuse University.

Russ Bell has served as Vice President, Technology Planning of GlobeSpan since March 1999. From January 1998 to March 1999, Mr. Bell was Director, Technology Planning of GlobeSpan. From July 1984 to January 1998 Mr. Bell held a number of positions at Advanced Micro Devices including Director of Communications Technology, Director of Corporate Strategic Marketing and Director of Applications Engineering. Mr. Bell received a B.S. in Electrical Engineering from the Southern Technical Institute and a Masters degree in Information and Computer Science from the Georgia Institute of Technology.

James Coulter has served as a director of GlobeSpan since May 1998. Mr. Coulter has served as a managing partner of Texas Pacific Group since 1992. Mr. Coulter currently serves as a director of America West Holdings Corp., Beringer Wine Estates Holdings, Inc., Oxford Health Plans Inc., and several privately held companies, including Communications Partners L.P. Mr. Coulter received a B.A. in Business from Dartmouth College and an M.B.A. from the Stanford Graduate School of Business.

Dipanjan Deb has served as a director of GlobeSpan since March 1999. Mr. Deb has been employed by Texas Pacific Group since November 1998 where he is responsible for technology-related investments. From August 1991 to June 1994, Mr. Deb was employed at BancBoston Robertson Stephens. Mr. Deb rejoined BancBoston Robertson Stephens in June 1996 and served as their Director of Semiconductor Banking until October 1998. Prior to rejoining BancBoston Robertson Stephens in 1996, Mr. Deb worked as a management consultant at McKinsey & Company. Mr. Deb received a B.S. from the University of California at Berkeley in Electrical Engineering and an M.B.A. from the Stanford Graduate School of Business.

Thomas Epley has served as a director of GlobeSpan since August 1996 and Chairman of the Board from August 1996 to March 1999. Mr. Epley has also served as President of Paradyne Credit Corporation, an affiliate of GlobeSpan, since August 1996. Mr. Epley was the CEO and President of GlobeSpan from August 1996 to April 1997, and the President and CEO of Paradyne Corporation, an affiliate of GlobeSpan from August 1996 to April 1997. From May 1991 to April 1996, Mr. Epley was the CEO of Technicolor, an entertainment media company. Mr. Epley currently serves as Chairman of

Paradyne Corporation and as Chairman of MEM Solutions, a microelectrical and mechanical systems company. Mr. Epley received a B.S. in Mechanical Engineering from the University of Cincinnati and an M.B.A. from Northwestern University.

Keith Geeslin has served as a director of GlobeSpan since August 1996. Mr. Geeslin is a General Partner of The Sprout Group, where he has been employed since July 1984. In addition, he is a general or limited partner of a series of investment funds associated with The Sprout Group, a division of DLJ Capital Corporation, a subsidiary of Donaldson, Lufkin & Jenrette. Mr. Geeslin is a director of SDL, Inc. and several privately held companies, including Paradyne Corporation, a related party to GlobeSpan. Mr. Geeslin received a B.S.E.E. degree from Stanford University, an M.A. degree in Philosophy, Politics and Economics from Oxford, and an M.S. degree in Engineering and Economic Systems from Stanford University.

David Stanton has served as a director of GlobeSpan since June 1996. Mr. Stanton is a partner of Texas Pacific Group, where he has been employed since 1994. Prior to joining Texas Pacific Group, Mr. Stanton was a venture capitalist with Trinity Ventures, where he specialized in information technology, software and telecommunications investing. Mr. Stanton currently serves as a director of Denbury Resources, Inc., and several private companies, including Paradyne Corporation, a related party to GlobeSpan. Mr. Stanton received a B.S. in Chemical Engineering from Stanford University and an M.B.A. from the Stanford Graduate School of Business.

Board of Directors and Committees

Following the offering, our board of directors will consist of six directors, each holding office until the next annual meeting of stockholders.

The board of directors has a Compensation Committee, an Audit Committee and an Executive Committee.

Compensation Committee. The Compensation Committee of the board of directors reviews and makes recommendations to the board regarding all forms of compensation provided to the executive officers and directors of GlobeSpan and its subsidiaries including stock compensation and loans. In addition, the Compensation Committee reviews and makes recommendations on stock compensation arrangements for all employees of GlobeSpan. As part of the foregoing, the Compensation Committee also administers our 1999 Equity Incentive Plan and Employee Stock Purchase Plan. The current members of the Compensation Committee are James Coulter, Thomas Epley and David Stanton.

Audit Committee. The Audit Committee of the board of directors reviews and monitors the corporate financial reporting and the internal and external audits of GlobeSpan, including, among other things, our internal audit and control functions, the results and scope of the annual audit and other services provided by our independent auditors and our compliance with legal matters that have a significant impact on our financial reports. The Audit Committee also consults with our management and our independent auditors prior to the presentation of financial statements to stockholders and, as appropriate, initiates inquiries into aspects of our financial affairs. In addition, the Audit Committee

has the responsibility to consider and recommend the appointment of, and to review fee arrangements with our independent auditors. The current members of the Audit Committee are Dipanjan Deb and Keith Geeslin.

Executive Committee. Our board of directors has created an executive committee consisting of Messrs. Coulter, Deb, Epley and Geday. The executive committee is authorized to act with respect to all matters arising before the board, except for matters which require stockholder approval or where prohibited by Delaware law, including a sale of our company.

Director Compensation and Other Arrangements

Directors of GlobeSpan who are not employees receive $1500 for participation in meetings of the board of directors. Non-employee directors of GlobeSpan who also serve on either the Compensation or the Audit Committees receive $750 for participation in the committee meetings. Upon and following this offering, directors will be eligible for automatic option grants under our 1999 Director Stock Plan. See "1999 Director Stock Plan."

Compensation Committee Interlocks and Insider Participation

As of December 31, 1998, the Compensation Committee of the board of directors consisted of Messrs. Epley and Stanton and Mr. William Stensrud. In March 1999, Mr. Stensrud resigned from the board of directors and was replaced by Mr. Coulter on the Compensation Committee.

Mr. Epley is a current director of GlobeSpan, was Chairman of our board of directors from August 1996 to March 1999 and was CEO and President of GlobeSpan from August 1996 to April 1997. Mr. Epley is also a director of Paradyne Corporation, is Chairman of their board of directors, is a member of their compensation committee and was their CEO and President from August 1996 to April 1997. Mr. Epley also has a pecuniary interest in the GlobeSpan shares held by Communication Partners, L.P., which upon the closing of this offering will own over % of our common stock and 85% of the common stock of Paradyne Corporation.

Mr. Stanton and Mr. Stensrud also have a pecuniary interest in the GlobeSpan shares held by Communication Partners, L.P., which upon the closing of this offering will own over % of our common stock and 85% of the common stock of Paradyne Corporation.

For a further description of interlocking transactions, see "Certain Transactions."

Executive Compensation

The following table sets forth compensation information for the fiscal year ended December 31, 1998 paid by us for services by our Chief Executive Officer and our two other highest-paid executive officers whose total salary and bonus for such fiscal year exceeded $100,000, collectively referred to below as the Named Executive Officers:

Summary Compensation Table

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION SALARY	BONUS	LONG-TERM COMPENSATION AWARDS SECURITIES UNDERLYING OPTIONS	ALL OTHER COMPENSATION

Armando Geday..... $215,004 $110,000(a) -- -- President and Chief Executive Officer Thomas Sennhauser(c)..... 80,780 60,000(b) 77,775 $37,396(e) Chief Operating Officer Nicholas Aretakis(d)..... 87,704 60,000(b) 77,775 79,227(e) Vice President, Worldwide Sales (a) The board has not determined Mr. Geday's entire bonus for 1998.

(b) GlobeSpan has not determined Mr. Sennhauser's or Mr. Aretakis' entire bonus for 1998.

(c) Mr. Sennhauser started employment with us in June 1998.

(d) Mr. Aretakis started employment with us in May 1998.

(e) Represents reimbursed relocation expenses.

Option Grants in Last Fiscal Year

The following table sets forth each grant of stock options during the fiscal year ended December 31, 1998 to each of the Named Executive Officers. No stock appreciation rights were granted to these individuals during such year.

NAME	INDIVIDUAL GRANTS NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (A)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 1998(B)	EXERCISE PRICE (C)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED RATES OF STOCK APPRECIATION FOR OPTION TERM(D) 5%	10%
Armando Geday.....	--	--	--	--	--	--
Thomas Sennhauser.....	77,775	12.6%	$12.00	05/31/08	$586,947	$1,487,440
Nicholas Aretakis.....	77,775	12.6	12.00	05/27/08	586,947	1,487,440

(a) Each of the options listed in the table is immediately exercisable. The shares purchasable under the options may be repurchased by us at the original exercise price paid per share if the optionee ceases service before vesting in such shares. The repurchase right lapses for Mr. Sennhauser's option, and he

vests as to 25% of the option shares upon completion of 12 months of service from the vesting start date; he vests as to 6.25% of the option shares upon the completion of every three-month period of service over the next three years thereafter. The repurchase right lapses for Mr. Aretakis' option and he vests as to 33 1/3% of the option shares upon completion of 12 months of service from the vesting start date; he vests as to 8.33% of the option shares upon the completion of every three-month period of service over the next two years thereafter. Each of the options has a ten-year term, but the term may end earlier if the optionee ceases service with us.

(b) Based on a total of 618,625 option shares granted to our employees under our 1996 Equity Incentive Plan during 1998.

(c) The exercise price was equal to the fair market value of our common stock as valued by our board of directors on the date of grant. The exercise price may be paid in cash or through a cashless exercise procedure involving a same-day sale of the purchased shares.

(d) The potential realizable value is calculated based on the ten-year term of the option at the time of grant. Stock price appreciation of 5% and 10% is assumed pursuant to rules promulgated by the Securities and Exchange Commission and does not represent our prediction of our stock price performance. The potential realizable value at 5% and 10% appreciation is calculated by assuming that the exercise price on the date of grant appreciates at the indicated rate for the entire term of the option and that the option is exercised at the exercise price and sold on the last day of its term at the appreciated price.

Aggregate Option Exercises in Last Fiscal Year and Fiscal Year-end Option Values

The following table sets forth information concerning the year-end number and value of unexercised options for each of the Named Executive Officers. No options or stock appreciation rights were exercised by these executive officers in 1998, and no stock appreciation rights were outstanding at the end of that year.

	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS HELD AT DECEMBER 31, 1998(A)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS HELD AT DECEMBER 31, 1998(B)	
NAME	VESTED(B)	UNVESTED	VESTED	UNVESTED
Armando Geday	203,569	261,731	$2,239,259	$2,879,041
Thomas Sennhauser	--	77,775	--	--
Nicholas Aretakis	--	77,775	--	--

(a) The options are immediately exercisable for all of the option shares, but any shares purchased under those options may be repurchased by us at the original exercise price paid per share, if the optionee ceases service with us before vesting in such shares. The heading "Vested" refers to shares that are no longer subject to repurchase; the heading "Unvested" refers to shares subject to repurchase as of December 31, 1998.

(b) Based on the fair market value of our common stock as determined by our board of directors at the end of 1998 of $12.00 per share, less the exercise price payable for such shares.

Change of Control Arrangements and Employment Agreements

Upon certain defined events causing a change in control of GlobeSpan, an option or other award under the 1999 Equity Incentive Plan will become fully exercisable and fully vested if the option or award is not assumed by the surviving corporation or its parent or if the surviving corporation or its parent does not substitute another award on substantially the same terms.

Except for Mr. Armando Geday, our President and Chief Executive Officer, none of our executive officers have an employment agreement with GlobeSpan, and they may resign at any time and GlobeSpan may terminate their employment at any time. GlobeSpan entered into an employment agreement with Mr. Geday, dated April 1, 1997.

The employment agreement with Mr. Geday provided for a base salary of $200,000 per year in 1997. Mr. Geday is eligible to earn quarterly and two-level revenue bonuses based upon goals and revenue targets as determined by our board of directors and Mr. Geday. Under the employment agreement, we granted to Mr. Geday an option for 465,300 shares of our common stock. If a corporate transaction occurs in which more than 50.0% of our stock is transferred, then 50.0% of Mr. Geday's unvested options will become vested. If we are valued at more than $100.0 million in such corporate transaction, then 100% of Mr. Geday's unvested options will become vested. If we terminate Mr. Geday's employment without cause or he resigns for good reason, then he will be paid as severance any bonuses that have been earned by him and will continue to receive his base salary until the earlier of the date that is 12 months from his termination date or the date on which he starts comparable employment. The aggregate severance payment will not be less than $500,000 prorated for the number of months that Mr. Geday is entitled to receive his base salary as a severance benefit. In addition, if we terminate Mr. Geday without cause or he resigns for good reason, his option will become vested, as if he provided another 18 months of service following his termination date, and his vested option will have a 10-year term from the date of his employment agreement.

Mr. McMullan, our Chief Financial Officer, Vice President and Secretary, received an offer letter from us in which we promised that if a change in control occurs within 18 months after his employment start date and Mr. McMullan is not offered a comparable position with comparable responsibilities with the acquiring entity, then any portion of his option that is not yet exercisable or vested will become fully exercisable or vested. If the change in control occurs outside of the 18-month period following his employment start date and Mr. McMullan is not offered a comparable position with comparable responsibilities with the acquiring entity, then his option becomes vested for 50.0% of his unvested shares.

Employee Benefit Plans

1999 Equity Incentive Plan. Our board of directors adopted GlobeSpan's 1999 Equity Incentive Plan in March 1999 and our stockholders will also be asked to approve the adoption of the plan. We have reserved 1,000,000 shares of common stock for issuance under the 1999 Equity Incentive Plan. Any shares not yet issued under our 1996 Equity Incentive Plan as of the date of this offering will also be available for grant under the 1999 Equity Incentive Plan. As of each year, commencing with the date of this offering and continuing on each May 1 in 2000 through 2002, the number of shares reserved for issuance under the 1999 Equity Incentive Plan will be increased automatically by 5.0% of the total number of shares of common stock then outstanding or, if less, by 1,000,000 shares. We have not granted any options under the 1999 Equity Incentive Plan. Under the 1999 Equity Incentive Plan, the eligible individuals are: employees, non-employee members of the board of directors and consultants. The types of awards that may be made under the 1999 Equity Incentive Plan are options to purchase shares of common stock, stock appreciation rights, restricted shares and stock units. Options may be incentive stock options that qualify for favorable tax treatment for the optionee under Section 422 of the Internal Revenue Code of 1986 or nonstatutory stock options not designed to qualify for such favorable tax treatment. With limited restrictions, if shares awarded under the 1999 Equity Incentive Plan or the 1996 Equity Incentive Plan are forfeited, then those shares will again become available for new awards under the 1999 Equity Incentive Plan.

The Compensation Committee of our board of directors administers the 1999 Equity Incentive Plan. The Committee has complete discretion to make all decisions relating to the interpretation and operation of the 1999 Equity Incentive Plan, including the discretion to determine which eligible individuals are to receive any award, and to determine the type, number, vesting requirements and other features and conditions of each award.

The exercise price for incentive stock options granted under the 1999 Equity Incentive Plan may not be less than 100% of the fair market value of the common stock on the option grant date. The exercise price for non-qualified options granted under the 1999 Equity Incentive Plan may not be less than 85% of the fair market value of the common stock on the option grant date. The exercise price may be paid in cash or in outstanding shares of common stock. The exercise price may also be paid by using a cashless exercise method, a pledge of shares to a broker or promissory note. The purchase price for newly issued restricted shares awarded under the 1999 Equity Incentive Plan may be paid in cash, by promissory note or by the rendering of past or future services.

The committee may reprice options and may modify, extend or assume outstanding options and stock appreciation rights. The committee may accept the cancellation of outstanding options or stock appreciation rights in return for the grant of new options or stock appreciation rights. The new option or right may have the same or a different number of shares and the same or a different exercise price.

Upon certain defined events causing a change in control of GlobeSpan, an option or other award under the 1999 Equity Incentive Plan will become fully exercisable and fully vested if the option or award is not assumed by the surviving corporation or its parent or if the surviving corporation or its parent does not substitute another option or award on substantially the same terms. If an optionee or other

participant under this Plan is involuntarily terminated within 12 months after a change in control in which the option or award was assumed or substituted, then the option or award becomes fully exercisable and vested. A change in control includes:

- A merger or consolidation of GlobeSpan after which our then current stockholders own less than 50.0% of the surviving corporation;

- Sale of all or substantially all of the assets of GlobeSpan;

- A proxy contest that results in replacement of more than one-third of the directors over a 24-month period; or - An acquisition of 50.0% or more of GlobeSpan's outstanding stock by a person other than by a person related to GlobeSpan, such as a corporation owned by the stockholders of GlobeSpan.

If a merger or other reorganization occurs, the agreement of merger or reorganization may provide that outstanding options and other awards under the 1999 Equity Incentive Plan shall be assumed by the surviving corporation or its parent, shall be continued by us if we were a surviving corporation, shall have accelerated vesting and then expire early, or shall be cancelled for a cash payment.

Our board of directors may amend or terminate our 1999 Equity Incentive Plan at any time. If the board amends the Plan, stockholder approval of the amendment will be sought only if required by an applicable law. The 1999 Equity Incentive Plan will continue in effect indefinitely unless the board decides to terminate the Plan earlier.

Employee Stock Purchase Plan. Our board of directors adopted our Employee Stock Purchase Plan in March 1999, and our stockholders will be asked to approve the adoption of the Plan. We have reserved 400,000 shares of common stock for issuance under the Employee Stock Purchase Plan. As of May 1 each year beginning in 2000, 2001 and 2002, the number of shares reserved for issuance under the Employee Stock Purchase Plan will be increased automatically by 2.0% of the total number of shares of common stock outstanding or, if less, 400,000 shares. The Employee Stock Purchase Plan is intended to qualify under Section 423 of the Internal Revenue Code. Two overlapping offering periods each with a duration of 24 months will commence on May 1 and November 1 each calendar year. However, the first offering period will commence on the effective date of this offering and end on April 30, 2001. Purchases of common stock will occur on April 30 and October 31 each calendar year during an offering period. The Compensation Committee of our board of directors administers our Employee Stock Purchase Plan. Each employee of GlobeSpan is eligible to participate if he or she is employed by us for more than 20 hours per week and for more than five months per year.

The Employee Stock Purchase Plan permits each eligible employee to purchase common stock through payroll deductions. Each employee's payroll deductions may not exceed 15.0% of the employee's cash compensation. The initial period during which payroll deductions will be accumulated will begin on the effective date of this offering and end on October 31, 1999. No more than 1,000 shares may be purchased on any purchase date. The price of each share of common stock purchased under the Employee Stock Purchase Plan will be 85.0% of the lower of (A) the fair market value per share of common stock on the date immediately before the first date of the applicable offering period or (B) the fair market value per share of common stock on the purchase date. In the case of the first offering

period, the price per share under the plan will be 85.0% of the price offered to the public in this offering. Employees may end their participation in the Employee Stock Purchase Plan at any time. Participation ends automatically upon termination of employment with us.

If a change in control of GlobeSpan occurs, the Employee Stock Purchase Plan will end and shares will be purchased with the payroll deductions accumulated to date by participating employees, unless this Plan is assumed by the surviving corporation or its parent. Our board of directors may amend or terminate the Employee Stock Purchase Plan at any time. If our board of directors increases the number of shares of common stock reserved for issuance under the Employee Stock Purchase Plan, it must seek the approval of our stockholders.

1999 Director Stock Plan. Our board of directors adopted our 1999 Director Stock Plan in March 1999, and our stockholders will also be asked to approve the adoption of the Plan. Under the 1999 Director Stock Plan, non-employee members of our board of directors will be eligible for option grants and other awards.

A maximum of 250,000 shares of common stock has been authorized for issuance under the 1999 Director Stock Plan. No shares have been issued yet under the 1999 Director Stock Plan.

We may grant options to purchase shares of common stock under the 1999 Director Stock Plan. Options may only be nonstatutory stock options not designed to qualify for favorable tax treatment. With limited restrictions, if shares awarded under the 1999 Director Stock Plan are forfeited, then those shares will again become available for new awards under the 1999 Director Stock Plan.

The exercise price for options granted under the 1999 Director Stock Plan may not be less than 100% of the fair market value of the common stock on the option grant date. Optionees may pay the exercise price in cash or in outstanding shares of common stock. Optionees may also pay the exercise price by using a cashless exercise method or a pledge of shares to a broker. Each option will have a maximum term of ten years, but will terminate earlier if the optionee ceases to be a member of the board of directors.

The committee may reprice options and may modify, extend or assume outstanding options. The committee may accept the cancellation of outstanding options in return for the grant of new options. The new option may have the same or a different number of shares and the same or a different exercise price.

Upon certain defined events causing a change in control of GlobeSpan, an option or other award granted under the 1999 Director Stock Plan will become fully exercisable and fully vested and will terminate unless the option or award is not assumed by the surviving corporation or its parent. Change in control has the same definition as under the 1999 Equity Incentive Plan.

The 1999 Director Stock Plan grants options to non-employee directors pursuant to an automatic grant provision at defined intervals beginning on the effective date of this offering. The 1999 Director Stock Plan grants to each non-employee director an option to purchase 5,000 shares of common stock on the effective date of this offering at the initial public offering price; and the Plan will grant to each such director another option to purchase 5,000 shares of common stock on the date of the 2001

annual stockholders' meeting, if the director continues serving on the board following this annual stockholders' meeting. The 1999 Director Stock Plan grants to each person who becomes a non-employee director following the effective date of this offering an option to purchase 5,000 shares of common stock on the date on which he or she is initially elected or appointed to the board; and each such new director will be granted another option to purchase 5,000 shares of common stock at the annual stockholders' meeting in the calendar year following the year in which he or she initially became a board member. However, a new director will not receive the second option to purchase 5,000 shares of common stock if he or she resigns at that annual stockholders' meeting. At each annual stockholders' meeting following the annual meeting during which each non-employee director received the second option to purchase 5,000 shares of common stock, the 1999 Director Stock Plan grants to each continuing director an option to purchase 2,500 shares of common stock. Each option becomes exercisable and vested upon the director's completion of 12 months of service during which he or she attended at least 75% of the board meetings.

Our board of directors may amend or modify the 1999 Director Stock Plan at any time. The 1999 Director Stock Plan will terminate in March 2009, unless the board of directors decides to terminate the plan sooner.

Certain Transactions

Initial Formation

We were formed in August 1996 as part of the divestiture of AT&T Paradyne Corporation by Lucent Technologies. Prior to this divestiture, AT&T Paradyne Corporation operated a communications technologies business. In the divestiture, our principal stockholder, Communication Partners, L.P. (i) formed a subsidiary, Paradyne Acquisition Corp., to acquire AT&T Paradyne Corporation (later renamed Paradyne Corporation); and (ii) formed another subsidiary, CAP Acquisition Group (later renamed GlobeSpan Semiconductor Inc.), to acquire certain other assets from AT&T Paradyne Corporation and from Lucent Technologies. Also in the divestiture, Communication Partners, L.P. formed other subsidiaries to acquire certain other assets of Lucent Technologies and/or AT&T Paradyne Corporation.

Communication Partners, L.P. currently owns approximately 93.2% of our outstanding common stock and after this offering will own approximately %. Communication Partners, L.P. also beneficially owns approximately 85.0% of the outstanding capital stock of Paradyne Corporation. Our current board of directors consists of Messrs. Coulter, Deb, Epley, Geday, Geeslin and Stanton. Our board of directors has also created an executive committee consisting of Messrs. Coulter, Deb, Epley and Geday. Of the current members of the board of directors and the executive committee, Messrs. Epley, Geeslin and Stanton are directors of both GlobeSpan and Paradyne Corporation. Mr. Stensrud was a member of the board of directors of both GlobeSpan and Paradyne Corporation until his resignation from GlobeSpan's board of directors in March 1999. Mr. Stensrud will continue as a board member of

Paradyne Corporation. In addition, Messrs. Epley, Stanton, Coulter and Geeslin, directors of GlobeSpan, all have a pecuniary interest in the shares held by Communication Partners, L.P. Mr. Stanton is the sole director and President of Communication GenPar, Inc., the general partner of Communication Partners, L.P. Mr. Epley is the Chairman of Paradyne Corporation.

Divestiture Transactions

In the divestiture, Communication Partners, L.P., through GlobeSpan and Paradyne Corporation, paid $2.0 million in cash to Lucent Technologies for the assets that we acquired. In addition, we issued Lucent Technologies a warrant to purchase our common stock. The warrant, as amended, expires upon the first to occur of June 30, 2001 or the sale of our company or all of our assets. The warrant is currently exercisable for 1,312,500 shares of our common stock at an exercise price of $6.72 per share. This warrant can either be exercised by payment of the exercise price in cash or by a "net exercise." A "net exercise" means that the aggregate exercise price of the warrant is deemed to be paid by the warrant holder by giving up our common stock, in lieu of paying cash, based on the fair market value of such shares at the time of net exercise.

In this prospectus we have assumed that the warrant will be net exercised. By its terms, the warrant will be deemed to be automatically net exercised at the closing of this offering if the price of our common stock in this offering is $ per share or higher. We have assumed that the price will be at the mid-point of the anticipated price range, $ per share, and that the warrant will be net exercised for shares. However, at any time prior to the closing of this offering, Lucent Technologies can exercise the warrant for up to 1,312,500 shares of our common stock by payment of the exercise price in cash. Further, if the price of our common stock in this offering is below $ per share, then the warrant will remain outstanding and exercisable for up to 1,312,500 shares of our common stock and will remain net exercisable.

Lucent Technologies has registration rights for any shares of common stock issued upon exercise of the warrant. The registration rights include one right to demand that we register the shares for sale to the public on a registration statement and an unlimited number of "piggyback" registration rights. These "piggyback" rights mean that Lucent Technologies can request that we register its shares on most registration statements that we otherwise elect to file.

The warrant also has a covenant which provides that we shall not enter into any transaction directly or indirectly with or for the benefit of any related party other than transactions entered into on a basis no less favorable to us than would be obtainable in a comparable arms' length transaction with a third party that is not a related party. We have entered into several transactions with Paradyne Corporation and Communication Partners, L.P. and there can be no assurance that Lucent Technologies would consider that all of these transactions were on terms obtainable in a comparable arms' length transaction. Any dispute with Lucent Technologies would be expensive, time-consuming and, if we do not prevail, would likely cause serious harm to our business, financial condition and results of operations.

Lucent Technologies Intellectual Property Agreement. As part of the divestiture, we entered into an intellectual property agreement with Lucent Technologies and Paradyne Corporation. Under this agreement, Lucent Technologies irrevocably assigned to us and our successors all rights in particular listed patents related to CAP line code technology. We, in turn, granted to Lucent Technologies a non-exclusive, non-transferable, irrevocable worldwide, royalty-free license to develop, manufacture, test or repair any products or services using the assigned patents.

Under this agreement, Lucent Technologies also granted to us other intellectual property rights and immunities, subject to a number of restrictions and/or conditions. Specifically, Lucent Technologies granted us a non-exclusive, non-transferable, irrevocable, worldwide, royalty-free license under certain patents owned or controlled by Lucent Technologies as of the date of the divestiture to develop, manufacture, sell, test or repair our products, or convey to any customer of our products the right to use and resell such products. Lucent Technologies also granted us the right to extend immunity to our licensees and customers under particular listed Lucent Technologies patents when those licensees and customers need to use technical information claimed in those patents to manufacture our products. These other intellectual property rights are subject to several conditions and restrictions on what kind of products are within the scope of the rights and immunities, when the rights and immunities can be exercised and for how long, and whether the rights and immunities can be transferred to other parties and when. These other intellectual property rights will become subject to a predetermined royalty if we sell all or part of our business that exercises these rights and more than six years have elapsed from the date of the divestiture. Some of these conditions and restrictions relating to the exercise of the other intellectual property rights are ambiguous, and could be interpreted in more than one way. We believe that the ambiguous, conditions and restrictions will not affect our current and proposed business in a material manner, either because we no longer rely on the rights and immunities granted by Lucent Technologies, or because the amount of our business that would be affected is not material. Nevertheless, these ambiguous conditions and restrictions could require us to negotiate with Lucent Technologies for additional rights, or to defend against assertions by Lucent Technologies that our business exceeds the scope of the rights and immunities. If we are unsuccessful in such negotiations or defense, we might not be able to sell some of our products, or such sales might be subject to limitations on how those products can be used.

All three parties to this agreement granted to each other reciprocal rights in their respective technical information only to the extent reasonably necessary to support the other rights and licenses granted to each party under the agreement.

Lucent Technologies Noncompetition Agreement. As part of the divestiture, we entered into a Noncompetition Agreement with Lucent Technologies and Paradyne Corporation. Under this agreement, Lucent Technologies agreed not to compete with us (with a separate agreement not to compete with Paradyne Corporation), in strictly limited circumstances subject to several exemptions and exclusions.

AT&T Trademark and Patent License. As part of the divestiture, AT&T Corporation (Lucent Technologies' sole stockholder at the time), entered into a Trademark and Patent Agreement with us and Paradyne Corporation. Under this agreement, AT&T granted us a license under particular listed AT&T patents to develop, manufacture, test or repair our products existing as of the date of the divestiture.

Additional Transactions with Lucent Technologies

Lucent Technologies Supply Agreement. As part of the divestiture, we entered into a Supply Agreement with Lucent Technologies and Paradyne Corporation. This agreement remains in effect for four years from the date of the divestiture. Under this agreement, we and Paradyne Corporation agreed to sell listed products (and modifications specific to the listed products) to Lucent Technologies. Lucent Technologies may purchase such products for prices and at discounts that are at least as good as those offered by us to any of our other customers for comparable products under comparable terms. We must give Lucent Technologies one year's notice of discontinuation of any of the listed products. We believe that none of the products listed in this agreement are currently products that we currently sell.

Lucent Technologies currently manufactures substantially all of our chip sets. In the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998, we paid Lucent Technologies a total of $0.5 million, $7.7 million and $10.1 million, respectively, for the manufacture of these chip sets, including components, computer equipment and software, training and consulting, maintenance and repairs. In March 1999 we entered into a manufacturing agreement with Lucent Technologies under which Lucent Technologies has agreed to manufacture our chip sets in accordance with certain pricing quotations and volume forecasts. This agreement may be terminated by Lucent Technologies upon one year's notice. Lucent Technologies currently manufactures substantially all of our chip sets, and we expect that Lucent Technologies will continue to manufacture substantially all of our chip sets for the foreseeable future.

As part of our previous business model, Lucent Technologies paid us certain fees in connection with the manufacture and sale of chip sets to GlobeSpan customers. During the five months ended December 31, 1996 and the year ended December 31, 1997, Lucent Technologies paid us a total of $635,000 and $185,000, respectively, for such fees pursuant to standard terms and conditions. In the year ended December 31, 1997, Lucent Technologies paid us $10,000 for chip set sales related to Lucent Technologies' development of certain DSL products.

Additional Transactions with Communication Partners, L.p.

Sale of Common Stock. In addition to the 7,437,500 shares of stock issued to Communication Partners, L.P. as part of the formation of GlobeSpan, we issued a total of 4,000,000 shares of common stock to Communication Partners, L.P. at a price of $1.00 per share on November 27, 1996.

Subordinated Revolving Promissory Note. On December 15, 1998, we amended our existing Subordinated Revolving Promissory Note with Communication Partners, L.P. The note had an outstanding principal balance of $5.0 million at the time of such amendment. The amendment provides that we can borrow up to an additional $5.0 million under the note. Subject to the terms and conditions of the amended note, the amount remaining on the note over $5.0 million becomes due and payable on March 31, 2000. The remaining $5.0 million is payable on May 1, 2003. Amounts outstanding may be repaid and reborrowed at any time during the term of the note, and the interest rate is set at 8% per annum. We intend to use the proceeds from this offering to retire this debt.

Amendment of the Lucent Technologies Warrant. In August 1998 we agreed to amend the warrant held by Lucent Technologies. As originally issued, the warrant would have expired upon the repayment by Paradyne Corporation of its outstanding long-term debt to Lucent Technologies. In August 1998, Paradyne Corporation and Lucent Technologies agreed to settle this long-term debt in an aggregate principal and interest amount of approximately $65.7 million. As a term of such settlement, we agreed to amend the warrant so that it did not expire upon the repayment of the indebtedness. The amendment also extended the term of the warrant by an additional year. We agreed to this warrant amendment in consideration of $100,000 in loan forgiveness from Communication Partners, L.P. which we received in March 1999. Because the warrant amendment was deemed to have indirectly benefited Communication Partners, L.P., we have accounted for the amendment as a $3.7 million distribution to Communication Partners, L.P. which was reflected as an adjustment to our paid-in capital. See Note 7 of the Notes to Financial Statements. This value was based on the increase in the fair market value of the warrant resulting from the extension of the outstanding warrant term.

Additional Transactions with Paradyne Corporation

Paradyne Corporation Cross License. As part of the divestiture, we entered into a cross-license agreement with Paradyne Corporation. We believe the purpose of this agreement was to ensure that both we and Paradyne Corporation had the same intellectual property rights in connection with our and their respective products both before and after the divestiture. Under the agreement each party granted to the other party a non-exclusive, royalty-free license to the patents Lucent Technologies assigned to the granting party in the divestiture, for use in the other party's products that existed as of the date of the divestiture, and modifications to those products. Under the agreement each party also granted to the other party a non-exclusive, royalty-free license to the granting party's other technical information and intellectual property for the same use. These grants apply to technical information and other intellectual property in existence at the date of the divestiture, or developed later and relating to the other party's products that existed at the divestiture or modifications to these products. Paradyne Corporation also granted us a non-exclusive, irrevocable, royalty-free license to use several listed trademarks. The rights granted are perpetual, subject to the expiration of patent and copyright terms.

Royalty Payments by Paradyne Corporation. As part of our earlier business model and in conjunction with their license to reproduce GlobeSpan software, Paradyne Corporation paid GlobeSpan a total of $235,000 in royalty payments in 1996. This payment reflected the cost of a chip set reference design guide and a right to use fee. The rates were determined in accordance with a License Agreement dated September 11, 1995.

Reimbursement for Chip Set Purchases. In 1996, as our business model shifted from licensing to selling chip sets, we purchased chip sets from Lucent Technologies through Paradyne Corporation for sale to our customers through Paradyne Corporation. Paradyne Corporation paid Lucent Technologies for these chip sets on our behalf and we reimbursed Paradyne Corporation for their cost. In connection with purchases made by Paradyne Corporation on our behalf in 1996, we paid Paradyne Corporation a total of $194,000 in 1997.

Cooperative Development Agreement/Termination Agreement/Supply Agreement. In November 1996, we entered into a Cooperative Development Agreement and a related rider agreement with Paradyne Corporation. Under the terms of these agreements, we provided Paradyne Corporation with a broad, royalty-free, unrestricted license to use our technical information and patents for any purpose related to Paradyne Corporation's products. We also granted to Paradyne Corporation the right to acquire our chip sets at prices not to exceed cost plus 15%. The term of these agreements was 10 years, and Paradyne Corporation had the right to extend it for an additional 10 year term. In addition, Paradyne Corporation leased certain assets and equipment to us for an annual lease fee of $1.00. Effective December 1998, GlobeSpan and Paradyne Corporation terminated these agreements pursuant to a Termination Agreement whereby both parties affirmed that the technology licensing provisions were never implemented. The Termination Agreement further provided that we agreed, effective July 1998, to pay Paradyne $1.5 million in license fees, that the parties agreed that $316,000 of these fees had been paid as of the effective date of the Termination Agreement, and that we will pay to Paradyne Corporation the $1,184,000 balance within 30 days of the effective date of this initial public offering. In conjunction with the signing of the Termination Agreement, we entered into a 57 four year Supply Agreement which gives Paradyne Corporation preferential pricing and other terms in connection with the purchase of our products by Paradyne Corporation. Under the terms of this Supply Agreement, we are required to honor Paradyne Corporation's orders for our products in quantities at least consistent with Paradyne Corporation's past ordering practices and must afford Paradyne Corporation at least the same priority for its orders as we afford other similarly situated customers. We also granted Paradyne Corporation immunity under our intellectual property rights for all Paradyne Corporation customers that purchase Paradyne Corporation products that incorporate our products. We have been selling products to Paradyne Corporation pursuant to these terms since July 1998. In 1997 and 1998, Paradyne Corporation paid to us a total of $373,000 and $962,000, respectively, for products purchased from us pursuant to the agreements described in this paragraph.

Inventory Repurchases from Paradyne Corporation. In December 1997 and September 1998, we purchased from Paradyne Corporation certain GlobeSpan chip sets which it held in its inventory in the amounts of $98,000 and $29,000, respectively. We purchased these chip sets for resale to other customers.

Payments to Paradyne Corporation. For a period following the divestiture, Paradyne Corporation agreed to provide us with certain staffing services, including legal and human resources; certain administrative services, including risk management, patent management, tax management, and accounting support; certain operational services, including office communications and telecommunications systems management, facilities management and rent, and other services until such time as we could provide similar services on our own. Though certain services are now provided directly by GlobeSpan facilities and employees, other services, group insurance and retirement administration are still provided by Paradyne Corporation. This agreement can be terminated by GlobeSpan on 60 days' notice. For these services, we paid Paradyne Corporation, a total of $155,000 and $231,000 for the years ended December 31, 1997 and 1998. Because we do not expect to rely on Paradyne Corporation for these services after this offering, we anticipate that these expenses will not continue in fiscal year 1999. In 1998, we subleased additional office space from Paradyne Corporation. In connection with the relocation of the Paradyne Corporation offices, we reimbursed approximately $392,000 of Paradyne Corporation's moving expenses.

Purchase of Fixed Assets. In 1997 we purchased fixed assets from Paradyne Corporation approximating $350,000. In 1998, we agreed to purchase certain fixed assets from Paradyne Corporation related to the subleased Red Bank facility. This payment totaled $1.4 million and included costs to remodel offices previously used by Paradyne Corporation, the purchase of furniture and certain fixtures within the office facility. These assets were transferred at their net book value since the transaction involved entities under common control.

Various Insurance Policies. Pursuant to insurance policies issued by insurers who are Best 'A' rated covering liability, director and officer's insurance, property and casualty and workers' compensation, the directors and officers of Communication Partners, L.P., Communication GenPar, Inc., Paradyne Corporation, Paradyne Acquisition Corp., Paradyne Credit Corp. and GlobeSpan are all covered under the same insurance policy with up to $10.0 million of liability collectively. The term of the policy is from August 1, 1998 to July 31, 1999 and GlobeSpan's portion of the premium amount is approximately $85,000. We expect that we will not share insurance policies with Paradyne Corporation after this offering. We will have our own Director and Officer's Insurance policy in effect prior to the close of this offering.

401(k) Plan. GlobeSpan currently participates in a 401(k) plan covering substantially all employees which is maintained by Paradyne Corporation. Effective April 1, 1999, GlobeSpan will adopt its own 401(k) plan for its employees. Contributions paid by Paradyne Corporation on behalf of GlobeSpan amounted to approximately $45,000, $242,000 and $348,000 for the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively. All payments made by Paradyne Corporation on behalf of GlobeSpan have been reimbursed to Paradyne Corporation. We are now making direct contributions to Paradyne Corporation's 401(k) plan on behalf of our employees, but we expect to initiate our own 401(k) plan in 1999.

Real Property Agreements. In an agreement dated August 1997 and subsequently amended in August 1998, we entered into a sublease with Paradyne Corporation at 100 Schulz Drive, Red Bank, New Jersey. We currently pay Paradyne Corporation approximately $68,000 a month for approximately 50,000 rentable square feet. After October 2001, the rent will increase to approximately $79,000 a month for a period of six months. We are also responsible for the cost of our own utilities, including electricity, telephone, HVAC system and I/S expenses. The sublease will expire in April 2002.

Employment Related Agreements

We entered into an employment agreement with Armando Geday, our President and Chief Executive Officer and a Director. See "Risk Factors--Management of Growth; Dependence on Key Personnel" and "Management--Employment Agreements."

We entered into an employment agreement on August 29, 1997 with Thomas Epley, who served as our Chairman of the board of directors through March 1999 and who is a director. Mr. Epley's employment agreement is at-will and provides for an annualized base salary of $150,000 for the first twelve months of the agreement and an annualized salary of $100,000 for the second twelve months of the agreement. If Mr. Epley's employment is terminated without cause or for "good reason" including assignment to a lesser position, a reduction in base salary or a change in control of GlobeSpan, Mr. Epley will receive the remainder of his base salary and benefits through July 31, 1999. Mr. Epley is subject to a covenant not to compete and a noninterference requirement as long as GlobeSpan is making payments to him under this contract.

Loans to Certain Executives

On November 3, 1997, we loaned $149,850 to George Malek, Vice President of Engineering in connection with his purchase of 150,000 shares of our common stock. The full recourse note covering this loan accrues interest at the rate of 5.94% per annum. The principal balance of this note and the accrued interest are payable at either the earlier of termination of employment or five years from the date of the promissory note. The loan is secured by the shares of common stock acquired with the loan, and those shares are held in escrow by GlobeSpan. All such shares purchased pursuant to this loan are subject to repurchase by GlobeSpan if Mr. Malek terminates his employment prior to becoming fully vested in these shares. The largest aggregate amount of indebtedness outstanding during 1998 was approximately $160,000 and the balance due as of March 11, 1999 was approximately $162,000.

On October 28, 1997, we loaned $149,850 to Daniel Amrany, Chief Technology Officer in connection with his purchase of 150,000 shares of our common stock. The full recourse note covering this loan accrues interest at the rate of 6.06% per annum. The principal balance of this note and the accrued interest are payable at either the earlier of termination of employment or five years from the date of the promissory note. The loan is secured by the shares of common stock acquired with the loan, and those shares are held in escrow by GlobeSpan. All such shares purchased pursuant to this loan are

subject to repurchase by GlobeSpan if Mr. Amrany terminates his employment prior to becoming fully vested in these shares. The largest aggregate amount of indebtedness outstanding during 1998 was approximately $161,000 and the balance due as of March 11, 1999 was approximately $162,000.

Indemnification Provisions

Our amended and restated certificate of incorporation limits the liability of our directors for monetary damages arising from a breach of their fiduciary duty as directors, except to the extent otherwise required by the Delaware General Corporation Law. Such limitation of liability does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our bylaws provide that we shall indemnify our directors and officers to the fullest extent permitted by Delaware law, including in circumstances in which indemnification is otherwise discretionary under Delaware law. Prior to the close of this offering, we will enter into indemnification agreements with our officers and directors containing provisions that may require us, among other things, to indemnify such officers and directors against certain liabilities that may arise by reason of their status or service as directors or officers (other than liabilities arising from willful misconduct of a culpable nature), to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified, and to obtain directors' and officers' insurance if available on reasonable terms.

All future transactions, including any loans from GlobeSpan to its officers, directors, principal stockholders or affiliates, will be approved by a majority of the board of directors, including a majority of the independent and disinterested member of the board of directors or, if required by law, a majority of disinterested stockholders. These transactions, if any, will be on terms no less favorable to GlobeSpan than could be obtained from unaffiliated third parties.

Principal Stockholders

The table below sets forth information regarding the beneficial ownership of GlobeSpan's common stock as of March 12, 1999, by the following individuals or groups:

- Each person or entity who is known by GlobeSpan to own beneficially more than 5.0% of GlobeSpan's outstanding stock;

- Each of the Named Executive Officers;

- Each director of GlobeSpan; and - All directors and executive officers as a group.

Unless otherwise indicated, the address of each of the individuals listed in the table is c/o GlobeSpan Semiconductor Inc., 100 Schulz Drive, Red Bank, NJ 07701. Except as otherwise indicated, and subject to community property laws where applicable, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown held by them.

Applicable percentage ownership in the following table is based on 12,268,723 shares of common stock outstanding as of March 12, 1999. To the extent that any shares are issued upon exercise of options, warrants or other rights to acquire GlobeSpan's capital stock that are presently outstanding or granted in the future or reserved for future issuance under GlobeSpan's stock plans, there will be further dilution to new public investors. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities, subject to community property laws, where applicable. Shares of our common stock subject to options that are presently exercisable or exercisable within 60 days of March 12, 1999 are deemed to be outstanding and beneficially owned by the person holding such options for the purpose of computing the percentage of ownership of such person but are not treated as outstanding for the purpose of computing the percentage of any other person.

The numbers shown in the table below assume no exercise by the underwriters of their over-allotment option.

	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING		SHARES BENEFICIALLY OWNED AFTER THE OFFERING	
	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE
5% STOCKHOLDERS:				
Communication Partners, L.P.(a)	11,437,500	93.2%	11,437,500	%
Lucent Technologies Inc.(b)	1,312,500	9.7	1,312,500	
DIRECTORS AND NAMED EXECUTIVE OFFICERS:				
James Coulter(c)	--	--	--	
Dipanjan Deb	--	--	--	
Thomas Epley(d)	--	--	--	
Keith Geeslin(e)	--	--	--	
David Stanton(f)	11,437,500	93.2	11,437,500	
Armando Geday(g)	465,300	3.7	465,300	
Nicholas Aretakis(h)	77,775	*	77,775	
Thomas Sennhauser(h)	77,775	*	77,775	
All directors and executive officers as a group(i) (8 persons)	12,136,125	93.6	12,136,125	

* Represents beneficial ownership of less than 1.0% (a) Communication GenPar, Inc., the general partner of Communication Partners, L.P., has beneficial ownership of the shares held by Communication Partners, L.P. David Stanton is the sole director and President of Communication GenPar, Inc. The address of Communication Partners, L.P. is 201 Main Street, Suite 2420, Fort Worth, TX 76102.

(b) Represents a warrant held by Lucent to purchase 1,312,500 shares of our common stock and assumes a cash exercise of the warrant. If Lucent exercises the warrant pursuant to a net exercise provision, they will own shares before the offering, representing % of the total outstanding shares of GlobeSpan, and shares after the offering, representing % of the total outstanding shares of GlobeSpan. The address of Lucent Technologies is 10 Independence Blvd., Warren, NJ 07059.

(c) Mr. Coulter, through various investment partnerships and corporations, has a pecuniary interest in the shares held by Communication Partners, L.P.

(d) Mr. Epley, a limited partner of Communication Partners, L.P., has a pecuniary interest in the shares held by Communication Partners, L.P.

(e) Mr. Geeslin, through various investment partnerships and corporations, has a pecuniary interest in the shares held by Communication Partners, L.P.

(f) Mr. Stanton is the sole director and President of Communication GenPar, Inc., the general partner of Communication Partners, L.P. Additionally, Mr. Stanton, through various investment partnerships and corporations, has a pecuniary interest in the shares held by Communication Partners, L.P.

(g) Includes 465,300 shares subject to options which are exercisable within 60 days of March 12, 1999.

(h) Includes 77,775 shares subject to options which are exercisable within 60 days of March 12, 1999.

(i) Includes 698,625 shares subject to options which are exercisable within 60 days of March 12, 1999.

Description of Capital Stock

General

On the closing of this offering, our authorized capital stock will consist of 100,000,000 shares of common stock, $.001 par value, and 10,000,000 shares of Preferred Stock, $.001 par value.

Common Stock

As of March 11, 1999, there were 12,268,723 shares of common stock outstanding that were held of record by approximately 53 stockholders. There will be shares of common stock outstanding (assuming no exercise of the underwriters' over-allotment option and assuming no exercise after December 31, 1998, of outstanding options) after giving effect to the sale of the shares of common stock to the public offered hereby.

The holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. The holders of common stock are entitled to receive dividends on a pro rata basis, if any, declared from time to time by the board of directors out of legally available funds. See "Dividend Policy." In the event of the liquidation, dissolution or winding up of GlobeSpan, the holders of common stock are entitled to share on a pro rata basis in all assets remaining after payment of liabilities. The common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable, and the shares of common stock to be issued upon completion of this offering will be fully paid and nonassessable.

Preferred Stock

On the closing of this offering, 10,000,000 shares of preferred stock will be authorized and no shares will be outstanding. The board of directors has the authority to issue the preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions of the preferred stock, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of such series, without further vote or action by the stockholders. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of GlobeSpan without further action by the stockholders and may adversely affect the voting and other rights of the holders of common stock. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of common stock, including the loss of voting control to others. At present, we have no plans to issue any of the preferred stock.

Warrant

As of March 11, 1999, Lucent Technologies held a warrant to purchase 1,312,500 shares of our common stock at an exercise price of $6.72 per share. This warrant can either be exercised by payment of the exercise price in cash or by a net exercise. By its terms, the warrant will be deemed to be automatically net exercised at the closing of this offering if the price of our common stock in this offering is $ per share or higher. We have assumed that the warrant will be at the mid-point of the anticipated price range, $ per share, and that the warrant will be net exercised for shares. However, at any time prior to the closing of this offering, Lucent Technologies can exercise the warrant for up to 1,312,500 shares of our common stock by payment of the exercise price in cash. Further, if the price of our common stock in this offering is below $ per share, then the warrant will remain outstanding and exercisable for up to 1,312,500 shares of our common stock and will remain net exercisable.

Registration Rights

Pursuant to the terms of the warrant held by Lucent Technologies, Lucent Technologies is entitled to certain rights with respect to the registration of the shares issuable upon the exercise of the warrant under the Securities Act. If we propose to register any of our securities under the Securities Act, either for our own account or for the account of other security holders, Lucent Technologies is entitled to notice of such registration and to include the shares of common stock issuable upon exercise of the warrant in such registration at our expense. Additionally, Lucent Technologies may require us to file one additional registration statement within one year of our initial public offering. These registration rights are subject to certain conditions and limitations, among them the lock-up agreement effective for 180 days following the closing of this offering and the right of the underwriters of an offering to limit the number of shares included in such registration.

ANTITAKEOVER EFFECTS OF DELAWARE LAW AND PROVISIONS OF OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION AND BYLAWS Amended and Restated Certificate of Incorporation and Bylaws. Our amended and restated certificate of incorporation provides that, effective upon the closing of this offering, all stockholder actions must be effected at a duly called meeting and not by a consent in writing. Our bylaws provide that our stockholders may call a special meeting of stockholders only upon a request of stockholders owning at least 25.0% of our capital stock. These provisions of our amended and restated certificate of incorporation and bylaws could discourage potential acquisition proposals and could delay or prevent a change in control of GlobeSpan. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by our board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control of GlobeSpan. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management.

Delaware Antitakeover Law. GlobeSpan is subject to Section 203 of the Delaware General Corporation Law, an antitakeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless the "business combination" or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns or within three years prior to the determination of interested stockholder status, did own, 15.0% or more of a corporation's voting stock. The existence of this provision may have an antitakeover effect with respect to transactions not approved in advance by the board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Transfer Agent and Registrar

The Transfer Agent and Registrar for the common stock is ChaseMellon Shareholder Services, Inc.

Shares Eligible for Future Sale

Prior to this offering, there has been no market for the common stock of GlobeSpan, and there can be no assurance that a significant public market for the common stock will develop or be sustained after this offering. Future sales of substantial amounts of common stock, including shares issued upon exercise of outstanding options and warrants, in the public market following this offering could

adversely affect market prices prevailing from time to time and could impair GlobeSpan's ability to raise capital through sale of its equity securities. As described below, no shares currently outstanding will be available for sale immediately after this offering because of certain contractual restrictions on resale. Sales of substantial amounts of common stock of GlobeSpan in the public market after the restrictions lapse could adversely affect the prevailing market price and the ability of GlobeSpan to raise equity capital in the future.

Upon completion of this offering, GlobeSpan will have outstanding shares of common stock based upon shares outstanding as of March 11, 1999, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options or warrants prior to completion of this offering. Of these shares, the sold in this offering will be freely tradable without restriction under the Securities Act except for any shares purchased by "affiliates" of GlobeSpan as that term is defined in Rule 144 of the Securities Act. The remaining 12,268,723 shares of common stock held by existing stockholders are "restricted shares" as that term is defined in Rule 144. All such restricted shares are subject to lock-up agreements providing that, with certain limited exceptions, the stockholder will not offer, sell, contract to sell or otherwise dispose of any common stock or any securities that are convertible into common stock for a period of 180 days after the date of this prospectus without the prior written consent of Donaldson, Lufkin & Jenrette Securities Corporation. As a result of these lock-up agreements, notwithstanding possible earlier eligibility for sale under the provisions of Rules 144, 144(k) and 701, none of these shares will be eligible for resale until 181 days after the date of this prospectus. Beginning 181 days after the date of this prospectus, approximately 11,437,500 restricted shares will be eligible for sale in the public market, all of which are subject to volume limitations under Rule 144. Additionally, 248,750 shares will be eligible for sale without restrictions under Rule 144(k) and 1,533,238 shares will be eligible for sale under Rule 701. Donaldson, Lufkin & Jenrette Securities Corporation may, at their sole discretion, and at any time without notice, release all or any portion of the securities subject to lock-up agreements.

In general, the volume limitations under Rule 144, as currently in effect, provide that beginning 90 days after the date of this prospectus, a person who has beneficially owned restricted shares for at least one year including the holding period of any prior owner except an affiliate would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1.0% of the number of shares of GlobeSpan common stock then outstanding which will equal approximately shares immediately after this offering; or - the average weekly trading volume of the GlobeSpan common stock during the four calendar weeks preceding the filing of Form 144 with respect to such sale.

Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about GlobeSpan. Under Rule 144(k), a person who is not deemed to have been an affiliate of GlobeSpan at any time during the three months preceding a sale and who has beneficially owned the shares proposed to be sold for at least two years including the holding period of any prior owner except an affiliate, is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

Rule 701, as currently in effect, permits resales of shares in reliance upon Rule 144 but without compliance with certain restrictions, including the holding period requirement of Rule 144. Any employee, officer or director of or consultant to GlobeSpan who purchased shares under a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701. Rule 701 permits affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. Rule 701 further provides that non-affiliates may sell such shares in reliance on Rule 144 without having to comply with the holding period, public information, volume limitation or notice provisions of Rule 144. Absent an ability to sell shares in compliance with Rule 144(k), all holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling such shares. However, all Rule 701 shares are subject to lock-up agreements and will only become eligible for sale at the earlier of the expiration of the 180-day lock-up agreements or no sooner than 90 days after the offering upon obtaining the prior written consent of Donaldson, Lufkin & Jenrette Securities Corporation.

Within 90 days following the effectiveness of this offering, GlobeSpan will file a Registration Statement on Form S-8 registering shares of common stock subject to outstanding options or reserved for future issuance under its stock plans. As of March 11, 1999, options to purchase a total of 2,007,055 shares were outstanding and 1,334,604 shares were reserved for future issuance under GlobeSpan's 1999 Equity Incentive Plan and 1999 Director Stock Plan. All such options are subject to lock-up agreements. Common stock issued upon exercise of outstanding vested options or issued under GlobeSpan's purchase plan, other than common stock issued to affiliates of GlobeSpan, will be available for resale in the open market 181 days after the close of this offering.

Lucent Technologies holds a warrant to purchase 1,312,500 shares of common stock, assuming the warrant is cash exercised, and shares of common stock if the warrant is net exercised. This warrant is subject to a lock-up agreement. Beginning six months after the date of this offering, Lucent Technologies will be entitled to certain registration rights for sale of the warrant shares in the public market. See "Description of Capital Stock--Registration Rights." Registration of such shares under the Securities Act would result in such shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates, immediately upon the effectiveness of such registration.

Underwriting

Subject to the terms and conditions contained in an underwriting agreement dated 1999, the underwriters named below, who are represented by Donaldson, Lufkin & Jenrette Securities Corporation, BancBoston Robertson Stephens Inc., SG Cowen Securities Corporation and Thomas Weisel Partners LLC, have severally agreed to purchase from GlobeSpan the respective number of shares of common stock set forth opposite their names below.

Number Underwriters: of Shares

Donaldson, Lufkin & Jenrette Securities Corporation..... BancBoston Robertson Stephens Inc..... SG Cowen Securities Corporation..... Thomas Weisel Partners LLC.....

Total.....

The underwriting agreement provides that the obligations of the several underwriters to purchase and accept delivery of the shares of common stock offered hereby are subject to approval by their counsel of certain legal matters and to certain other conditions. The underwriters are obligated to purchase and accept delivery of all the shares of common stock offered hereby (other than those shares covered by the over-allotment option described below) if any are purchased.

The underwriters initially propose to offer the shares of GlobeSpan common stock in part directly to the public at the initial public offering price set forth on the cover page of this prospectus and in part to certain dealers (including the underwriters) at such price less a concession not in excess of $ per share. The underwriters may allow, and such dealers may re-allow, to certain other dealers a concession not in excess of $ per share. After the initial offering of the common stock, the public offering price and other selling terms may be changed by the representatives of the underwriters at any time without notice. The underwriters do not intend to confirm sales to any accounts over which they exercise discretionary authority.

DLJdirect Inc., an affiliate of Donaldson, Lufkin & Jenrette Securities Corporation and a member of the selling group, is facilitating the distribution of the shares sold in the offering over the Internet. The underwriters have agreed to allocate a limited number of shares to DLJdirect Inc. for sale to brokerage account holders.

GlobeSpan has granted to the underwriters an option, exercisable within 30 days after the date of this prospectus, to purchase, from time to time, in whole or in part, up to an aggregate of additional shares of common stock at the initial public offering price less underwriting discounts and commissions. The underwriters may exercise such option solely to cover over- allotments, if any, made in connection with the offering. To the extent that the underwriters exercise such option, each underwriter will become obligated, subject to certain conditions, to purchase its pro rata portion of such additional shares based on such underwriter's percentage underwriting commitment as indicated in the preceding table.

GlobeSpan has agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the underwriters may be required to make in respect thereof.

Each of GlobeSpan, its executive officers, directors, stockholders, option holders and its warrant holder have agreed, subject to certain exceptions, not to - Offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock, or - Enter into any swap or

other arrangement that transfers all or a portion of the economic consequences associated with the ownership of any common stock for a period of 180 days after the date of this prospectus without the prior written consent of Donaldson, Lufkin & Jenrette Securities Corporation. In addition, during such 180-day period, GlobeSpan has also agreed not to file any registration statement with respect to, and each of its executive officers, directors, and certain stockholders of GlobeSpan has agreed not to make any demand for, or exercise any right with respect to, the registration of any shares of GlobeSpan's common stock or any securities convertible into or exercisable or exchangeable for common stock without the prior written consent of Donaldson, Lufkin & Jenrette Securities Corporation. However, Donaldson, Lufkin & Jenrette Securities Corporation may, in its sole discretion, release all or any portion of the securities subject to the lock-up agreements.

Prior to the offering, there has been no established trading market for GlobeSpan's common stock. The initial public offering price of the shares of GlobeSpan's common stock offered hereby was determined by negotiation among GlobeSpan and the representatives of the underwriters. The factors considered in determining the initial public offering price included the history of and the prospects for the industry in which GlobeSpan competes, the past and present operations of GlobeSpan, the historical results of operations of GlobeSpan, the prospects for future earnings of GlobeSpan, the recent market prices of securities of generally comparable companies and the general condition of the securities markets at the time of the offering.

Other than in the United States, no action has been taken by GlobeSpan or the underwriters that would permit a public offering of the shares of common stock offered hereby in any jurisdiction where action for that purpose is required. The shares of common stock offered hereby may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any shares of common stock be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of such jurisdiction. Persons with this prospectus should inform themselves about and observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any shares of common stock offered hereby in any jurisdiction in which such an offer or a solicitation is unlawful.

Thomas Weisel Partners LLC, one of the representatives of the underwriters, was organized and registered as a broker-dealer in December 1998. Since December 1998, Thomas Weisel Partners has co-managed fifteen public offerings of equity securities and has acted as an underwriter in an additional five public offerings of equity securities. Thomas Weisel Partners does not have any material relationship with us or any of our officers, directors or other controlling persons, except with respect to its contractual relationship with us pursuant to the underwriting agreement entered into in connection with this offering.

Under Rule 2720 of the Conduct Rules of the National Association of Securities Dealers, Inc., GlobeSpan is considered an affiliate of Donaldson, Lufkin & Jenrette Securities Corporation. This offering is being conducted in accordance with Rule 2720, which provides that, among other things, when an NASD member participates in the underwriting of an affiliate's equity securities, the offering

price can be no higher than that recommended by a "qualified independent underwriter" (QIU) meeting certain standards. In accordance with this requirement, has assumed the responsibilities of acting as QIU and will recommend a price in compliance with the requirements of Rule 2720. In connection with this offering, is performing due diligence investigations and reviewing and participating in the preparation of this prospectus and the registration statement of which this prospectus forms a part.

In connection with the offering, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of GlobeSpan's common stock. Specifically, the underwriters may overallot the offering, creating a syndicate short position. The underwriters may bid for and stabilize the price of the common stock. In addition, the underwriting syndicate may reclaim selling concessions from syndicate members and selected dealers if they repurchase previously distributed common stock in syndicate covering transactions, in stabilizing transactions or otherwise. These activities may stabilize or maintain the market price of the common stock above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

Legal Matters

The validity of the common stock offered hereby will be passed upon for GlobeSpan by Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, Menlo Park, California. Certain legal matters in connection with the offering will be passed upon for the underwriters by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California.

Experts

The financial statements of GlobeSpan Semiconductor Inc. as of December 31, 1997 and 1998, and for the five months ended December 31, 1996 and for each of the two years in the period ended December 31, 1998 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants given on the authority of said firm as experts in auditing and accounting.

Additional Information

We have filed with the Securities and Exchange Commission, Washington, D.C. 20549, a registration statement on Form S-1 under the Securities Act with respect to the common stock offered hereby. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. For further information with respect to GlobeSpan and such common stock offered hereby, reference is made to the registration statement and the exhibits and schedules filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document referred to are not necessarily complete; reference is made in each instance to the copy of such contract or document filed as an exhibit to the registration statement. Each such statement is qualified in all respects by such

reference to such exhibit. You may inspect a copy of the registration statement without charge at the Securities and Exchange Commission's principal office in Washington, D.C. and obtain copies of all or any part thereof upon payment of certain fees from the public reference section of the Securities and Exchange Commission at the Securities and Exchange Commission's principal office, 450 Fifth Street, N.W., Washington, D.C. 20549, or at the Securities and Exchange Commission's regional offices in New York, located at 7 World Trade Center, Suite 1300, New York, New York 10048, or in Chicago, located at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. The Securities and Exchange Commission maintains an Internet site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Securities and Exchange Commission. The Securities and Exchange Commission's World Wide Web address is www.sec.gov.

GlobeSpan intends to furnish holders of its common stock with annual reports containing, among other information, audited financial statements certified by an independent public accounting firm and quarterly reports containing unaudited condensed financial information for the first three quarters of each fiscal year. GlobeSpan intends to furnish such other reports as it may determine or as may be required by law.

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Report of Independent Accountants

To the Board of Directors and Stockholders of GlobeSpan Semiconductor Inc.

In our opinion, the accompanying statement of net assets and the related statement of operations and of cash flows present fairly, in all material respects, the financial position of the Advanced Transmission Technology Division of AT&T Paradyne Corporation, ("AT'T"), the predecessor entity of GlobeSpan Semiconductor Inc., at July 31, 1996 and the results of its operations and its cash flows for the period from January 1, 1996 through July 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of AT'T's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards, which 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, assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP Tampa, Florida August 28, 1998

Advanced Transmission Technology Division (A Division of At&t Paradyne Corporation)

Statement of Net Assets (In Thousands)

Assets

July 31, 1996

CURRENT ASSETS:	
Contract receivable (Note 3)	$ --
	$ --
LIABILITIES AND DIVISION DEFICIT	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	$ 69
Contingency (Note 3)	--
Net assets	$(69)

The accompanying notes are an integral part of these financial statements.

Advanced Transmission Technology Division (A Division of At&t Paradyne Corporation)

Statement of Operations and Changes in Net Assets (In Thousands)

SEVEN MONTHS ENDED JULY 31, 1996

Revenues	$1,597
Expenses:	
Research and development	2,524
General and administrative	1,492
Total expenses	4,016
Net loss	(2,419)
Net assets, beginning of period	992

Advances from AT&T Paradyne	1,358
Net assets, end of period	$ (69)

The accompanying notes are an integral part of these financial statements.

Advanced Transmission Technology Division (A Division of At&t Paradyne Corporation)

Statement of Cash Flows (In Thousands)

SEVEN MONTHS ENDED JULY 31, 1996

CASH FLOW USED IN OPERATING ACTIVITIES:	
Net loss	$(2,419)
Decrease in receivables	1,000
Increase in accrued expenses	61
Net cash used in operating activities	(1,358)
Cash flow from financing activities -- advances from Paradyne	1,358
Net cash flows	$ --

The accompanying notes are an integral part of these financial statements.

Advanced Transmission Technology Division (A Division of At&t Paradyne Corporation)

Notes to Financial Statements (In Thousands)

1. Basis of Presentation, Subsequent Acquisition and Related Party Transactions

Pursuant to a Purchase Agreement dated June 18, 1996, three direct wholly-owned subsidiaries and two indirect wholly-owned subsidiaries of Communication Partners, L.P. (formerly known as Paradyne Partners, L.P.) acquired certain assets of AT&T Paradyne Corporation from its parent company, Lucent Technologies Inc. ("Lucent"), in exchange for $146 million in cash and notes and the assumption of certain liabilities effective July 31, 1996. The assets and liabilities were purchased by four separate operating subsidiaries of Communication Partners, L.P. including GlobeSpan Technologies (subsequently GlobeSpan Semiconductor Inc.) (the "Company").

Assets acquired by the Company for $2.0 million consisted of certain research and development activities, patents and customer licenses related to carrierless amplitude phase modulation technique (generally referred to as "CAP Technology") which is used to transmit data over copper telephone wires. In addition, certain customer rent and lease agreements of AT&T Paradyne Corporation were acquired

directly by Rental Acquisition Corp. and Lease Acquisition Corp., and certain net assets relating to the manufacturing, marketing and research activities for data communications and networking products for commercial end users and network service providers were acquired by Paradyne Corporation (all of which are direct or indirect subsidiaries of Communication Partners, L.P.). Paradyne Corporation also entered into a product distribution agreement with Lucent. Additionally, certain assets and liabilities of AT&T Paradyne Corporation were retained by Lucent or disposed of prior to the transaction. All assets and liabilities and activities acquired by subsidiaries of Communication Partners, L.P., other than the Company, or retained by Lucent have been excluded from the accompanying financial statements.

Prior to July 31, 1996, the CAP Technology was developed through the Advanced Transmission Technology Division ("ATT") of AT&T Paradyne Corporation, a wholly-owned subsidiary of Lucent Technologies, which is the "predecessor entity" to the Company. The accompanying financial statements reflect the historical financial condition, results of operations and cash flows of ATT which were acquired by the Company, on a carve out basis, as if it had been an independent reporting entity for the period presented.

2. Significant Accounting Policies:

The significant accounting principles and practices used in the preparation of the accompanying financial statements are summarized below:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates.

Advanced Transmission Technology Division (A Division of At&t Paradyne Corporation)

Notes to Financial Statements (Continued) (In Thousands)

Revenue Recognition

Licensing fees are recognized when ATT has completed delivery of technical specifications and performed all required services under the related agreements. Commissions and right to use fees are recognized upon shipment of product by the licensees, in accordance with the agreements.

Research and Development Costs

Research and development costs are expensed as incurred and approximated $2.5 million for the seven months ended July 31, 1996.

Allocation of Related Party Expenses

The accompanying financial statements include $689 of other expenses that have been charged to the Company from AT&T Paradyne Corporation. Rent expense was allocated on a pro rata basis computed on the number of employees. Other fees were allocated based on negotiations with the related party. Management believes that such amounts include all significant costs incurred to support the Company.

3. Technology Development Agreement and Contingency

In July 1995, AT&T Paradyne entered into a technology development agreement with Bell Atlantic Network Services, Inc. ("Bell Atlantic"). Under the terms of the agreement, ATT provided use of certain DSL technologies to third party suppliers for the purpose of development of DSL network access products incorporating CAP Technology. Bell Atlantic paid $5.0 million under the agreement in return for the right to receive up to $7.0 million of commission fees based on future sales of products to Bell Atlantic and other qualified third party companies, as defined in the agreement. While the Company could be liable for paying a commission fee to Bell Atlantic, the triggering of this fee would result from future revenue. No fees have yet been paid under this agreement. All research and development requirements of the agreement were completed by ATT in 1995 and the final $1.0 million of cash was received in January 1996.

The reverse stock split and recapitalization described in Note 14 to the financial statements has not been consummated at March 12, 1999. When it has been consummated, we expect to be in a position to render the following report:

PricewaterhouseCoopers, LLP Florham Park, New Jersey February 12, 1999, except as to Note 14 which is as of March 12, 1999

Report of Independent Accountants

To the Board of Directors and Stockholders of GlobeSpan Semiconductor Inc.

In our opinion, the accompanying balance sheets and the related statements of operations, changes in stockholders' equity and cash flows present fairly, in all material respects, the financial position of GlobeSpan Semiconductor Inc. at December 31, 1997 and 1998, and the results of its operations and its cash flows for the period from inception through December 31, 1996 and for each of the two years ended December 31, 1998 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an

opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards, which 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, 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.

Florham Park, New Jersey February 12, 1999, except as to Note 14 which is as of March 12, 1999

Globespan Semiconductor Inc.

Balance Sheets (In Thousands, Except Share Data)

Assets

December 31, 1997 1998

CURRENT ASSETS:		
Cash and cash equivalents	$ 875	$ 12
Accounts receivable, less allowance for doubtful accounts of $49 and $61, respectively	4,520	3,823
Accounts receivable from affiliates	447	73
Inventories	119	912
Prepaid income taxes	--	1,178
Prepaid expenses and other current assets	229	564
Total current assets	6,190	6,562
Deferred tax asset	500	--
Property and equipment, net	2,941	6,680
Core technology	584	--
Other assets	--	188
Total assets	$10,215	$13,430
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Borrowings under line of credit	$ --	$ 2,466
Accounts payable	1,488	2,131
Accounts payable to affiliates	1,164	327
Accrued expenses and other liabilities	32	1,482
Payroll and benefit related liabilities	1,083	2,519
Current portion of capital lease obligations	--	292
Total current liabilities	3,767	9,217
Subordinated note payable to Communication Partners, L.P.	--	5,000
Capital lease obligations, less current portion	--	506
Total liabilities	3,767	14,723
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $0.001; 3,000,000 shares authorized; none issued or outstanding	--	--
Common stock, par value $0.001; 15,555,300 shares authorized; 12,286,674 and 12,265,265 shares issued and outstanding, respectively	12	12

Stock purchase warrant	1	3,654
Additional paid-in capital	7,239	3,629
Notes receivable from stock sales	(794)	(725)
Deferred stock compensation	(52)	(76)
Retained earnings (accumulated deficit)	42	(7,787)
Total stockholders' equity (deficit)	6,448	(1,293)
Total liabilities and stockholders' equity	$10,215	$13,430

The accompanying notes are an integral part of these financial statements.

Globespan Semiconductor Inc.

Statements of Operations (In Thousands, Except Share and Per Share Data)

	FIVE MONTHS ENDED DECEMBER 31, 1996	YEARS ENDED DECEMBER 31, 1997	1998
REVENUES:			
Net product sales (including related party amounts of $0, $373 and $962 for 1996, 1997 and 1998, respectively)	$ 951	$ 20,615	$ 31,154
Other revenues (including related party amounts of $235, $0 and $0 for 1996, 1997 and 1998, respectively)	1,409	1,931	310
Total revenues	2,360	22,546	31,464
Cost of sales (including related party amounts of $0, $293 and $1,042 for 1996, 1997 and 1998, respectively)	496	7,565	9,882
Gross profit	1,864	14,981	21,582
OPERATING EXPENSES:			
Research and development (Note 2)	1,616	8,358	18,694
Selling, general and administrative (Note 12)	644	4,572	10,217
Amortization and other (Note 2)	404	1,000	583
Total operating expenses	2,664	13,930	29,494
(Loss) income from operations	(800)	1,051	(7,912)
Interest income (expense), net	--	91	(134)
(Loss) income before income taxes	(800)	1,142	(8,046)
Income tax provision (benefit)	--	300	(217)
Net (loss) income	$ (800)	$ 842	$ (7,829)
(Loss) earnings per share:			
Basic	$ (0.07)	$ 0.07	$ (0.65)
Diluted	$ (0.07)	$ 0.07	$ (0.65)
Shares used in computing net (loss) earnings per share (Note 9)			
Basic	11,437,500	11,515,538	12,084,711
Diluted	11,437,500	12,706,432	12,084,711

The accompanying notes are an integral part of these financial statements.

Globespan Semiconductor Inc.

Statements of Changes in Stockholders' Equity (In Thousands, Except Share Data)

	COMMON STOCK		STOCK	ADDITIONAL	NOTES RECEIVABLE	DEFERRED	RETAINED EARNINGS
	SHARES	AMOUNT	WARRANT	PAID-IN CAPITAL	FROM STOCK SALES	STOCK COMPENSATION	(ACCUMULATED DEFICIT)
Investments in the Company by Communication Partners, L.P.	11,437,500	$11	$ 1	$ 5,989	$ --	$ --	$ --
Net loss	--	--	--	--	--	--	(800)
Asset allocation charge	--	--	--	106	--	--	--
Balance at December 31, 1996	11,437,500	11	1	6,095	--	--	(800)
Net income	--	--	--	--	--	--	842
Asset allocation charge	--	--	--	244	--	--	--
Exercise of employee stock options	849,174	1	--	848	(794)	--	--
Non-employee stock options	--	--	--	52	--	(52)	--
Balance at December 31, 1997	12,286,674	12	1	7,239	(794)	(52)	42
Net loss	--	--	--	--	--	--	(7,829)
Distribution to Communication Partners, L.P. (Note 7)	--	--	3,653	(3,653)	--	--	--
Exercise of employee stock options	42,654	--	--	61	--	--	--
Non-employee stock options	--	--	--	44	--	(44)	--
Amortization of non-employee stock options	--	--	--	--	--	20	--
Benefit from exercise of nonqualified stock options	--	--	--	2	--	--	--
Repayment of note receivable	--	--	--	--	5	--	--

--							
Forfeiture of restricted stock	(64,063)	--	--	(64)	64	--	--
Balance at December 31, 1998	12,265,265	$12	$3,654	$ 3,629	$(725)	$(76)	$(7,787)

TOTAL STOCKHOLDERS' EQUITY

Investments in the Company by Communication Partners, L.P.	$ 6,001
Net loss	(800)
Asset allocation charge	106
Balance at December 31, 1996	5,307
Net income	842
Asset allocation charge	244
Exercise of employee stock options	55
Non-employee stock options	--
Balance at December 31, 1997	6,448
Net loss	(7,829)
Distribution to Communication Partners, L.P. (Note 7)	--
Exercise of employee stock options	61
Non-employee stock options	--
Amortization of non-employee stock options	20
Benefit from exercise of nonqualified stock options	2
Repayment of note receivable	5
Forfeiture of restricted stock	--
Balance at December 31, 1998	$(1,293)

The accompanying notes are an integral part of these financial statements.

Globespan Semiconductor Inc.

Statements of Cash Flows (In Thousands)

	FIVE MONTHS ENDED DECEMBER 31, 1996	YEARS ENDED DECEMBER 31, 1997	1998
CASH FLOW (USED IN) PROVIDED BY OPERATING ACTIVITIES:			
Net (loss) income	$ (800)	$ 842	$(7,829)
Adjustments to reconcile net (loss) income to cash (used			

in) provided by operating activities:			
Deferred income taxes	--	(500)	500
Provision for bad debts	--	49	12
Provision for inventory obsolescence	--	--	95
Amortization and depreciation	523	1,702	2,657
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,701)	(3,315)	1,059
(Increase) in inventories	--	(119)	(888)
(Increase) in prepaid expenses and other	--	(229)	(1,698)
Increase (decrease) in accounts payable	1,086	1,589	(194)
Increase in accrued expenses and other current liabilities	218	874	2,886
Net cash (used in) provided by operating activities	(674)	893	(3,400)
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Capital expenditures	(40)	(3,359)	(4,810)
Purchase of net assets of the Company	(2,000)	--	--
Net cash used in investing activities	(2,040)	(3,359)	(4,810)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:			
Proceeds from borrowings under subordinated note payable	--	--	5,000
Proceeds from borrowings under line of credit	--	--	2,466
Proceeds from issuance of common stock	4,000	55	61
Proceeds from repayment of notes receivable	--	--	5
Repayments of capital lease borrowings	--	--	(185)
Equity investments in the Company	2,000	--	--
Net cash provided by financing activities	6,000	55	7,347
Net increase (decrease) in cash and cash equivalents	3,286	(2,411)	(863)
Cash and cash equivalents at beginning period	--	3,286	875
Cash and cash equivalents at end of period	$ 3,286	$ 875	$ 12
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid:			
Interest	$ --	$ --	$ 145
Income taxes	$ --	$ 1,000	$ 492
SUPPLEMENTAL NONCASH FINANCING ACTIVITIES:			
Notes receivable for sale of stock	$ --	$ 794	$ --

The accompanying notes are an integral part of these financial statements.

Globespan Semiconductor Inc.

Notes to Financial Statements (In Thousands, Except Share and Per Share Data)

1. Nature of Business and Basis of Presentation

Pursuant to a Purchase Agreement dated June 18, 1996, three direct wholly-owned subsidiaries and two indirect wholly-owned subsidiaries of Communication Partners, L.P. (formerly Paradyne Partners, L.P.), acquired certain assets of AT&T Paradyne Corporation from its parent company, Lucent Technologies Inc. ("Lucent"), in exchange for $146 million in cash and notes and the assumption of certain liabilities effective July 31, 1996. The assets and liabilities were purchased by four separate operating subsidiaries of Communication Partners, L.P., including GlobeSpan Technologies (subsequently GlobeSpan Semiconductor Inc.) (the "Company").

Assets acquired by the Company for $2.0 million consisted of certain research and development activities, patents and customer licenses related to carrierless amplitude phase modulation technique (generally referred to as "CAP Technology") which is used to transmit data over copper telephone wires. In addition, certain customer rent and lease agreements of AT&T Paradyne Corporation were acquired directly by Rental Acquisition Corp. and Lease Acquisition Corp., and certain net assets relating to the manufacturing, marketing and research activities for data communications and networking products for commercial end users and network service providers were acquired by Paradyne Corporation (all of which are direct or indirect subsidiaries of Communication Partners, L.P.). Paradyne Corporation also entered into a product distribution agreement with Lucent. Additionally, certain assets and liabilities of AT&T Paradyne Corporation were retained by Lucent or disposed of prior to the transaction. All assets and liabilities and activities acquired by subsidiaries of Communication Partners, L.P., other than the Company, or retained by Lucent have been excluded from the accompanying financial statements.

The accompanying financial statements include the accounts of the Company. See discussion of related party transactions in Notes 7 and 12. As of December 31, 1998, Communication Partners owned a substantial portion of the Company's outstanding stock.

The Company is a leading worldwide developer of advanced digital subscriber line (DSL) integrated circuits which enable high-speed data transmission over the existing network of copper telephone wires known as the local loop. The Company sells integrated circuits as chip sets to manufacturers of DSL equipment for incorporation into products which are sold to telecommunications service providers and end users.

2. Summary of Significant Accounting Policies

The significant accounting principles and practices used in the preparation of the accompanying financial statements are summarized below:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, the realizability of deferred tax assets and useful lives or amortization periods of intangible assets. Actual results could differ from those estimates. The markets for the Company's

products are characterized by intense competition, rapid technological development and frequent new product introductions, all of which could impact the future value of the Company's assets.

Revenue Recognition

Revenue from product sales is recognized upon shipment to the customer, when no significant vendor obligations exist and collection of the resulting receivable is probable. Licensing fees are recognized when the Company has completed delivery of technical specifications and performed all required services under the related agreements. Commissions and right to use fees are recognized upon shipment of product by the licensees, in accordance with the agreements.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories, substantially all of which are finished goods, are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets, ranging from three to five years. Leasehold improvements are amortized on a straight-line basis over the lesser of the terms of the leases or the estimated useful lives of the assets. Gains or losses on disposals of property and equipment are recorded in current operations.

Core Technology

Core technology, which consists of patents, trademarks and technical know-how of $2,000 acquired by the Company at inception (see Note 1) is stated at acquisition cost, which approximates fair value. Amortization is provided on a straight-line basis over the estimated useful life of two years. The

estimated useful life was based primarily on the expected utilization of the assets and rapid technological changes in the integrated circuit and telecommunications industries. The recoverability of carrying values is evaluated on a recurring basis. Amortization expense associated with such core technology was $417, $1,000 and $583 for the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively, such that as of December 31, 1998 this core technology was fully amortized.

Financial Instruments

The carrying value of accounts receivable, accounts payable and borrowings under the revolving credit agreement approximate their fair values due to the relatively short-term nature of these instruments. The estimated fair value of the outstanding borrowings under the subordinated note payable at December 31, 1998 was approximately $4,906.

Product Warranties

The Company provides purchasers of its products with certain warranties that correspond with the warranties from its contract manufacturers. Warranty expense has been immaterial for all periods presented.

Research and Development Costs

Costs incurred in connection with the research and development of the Company's products and enhancements to existing products are expensed as incurred unless technological feasibility has been established. Based on the Company's product development process, technological feasibility is established upon completion of a working model. Costs incurred by the Company between completion of the working model and the point at which the product is ready for general release have not been material. Accordingly, research and development costs have been expensed as incurred.

Income Taxes

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, which requires use of the asset and liability method. Deferred income taxes are recorded for temporary differences between financial statement carrying amounts and the tax bases of assets and liabilities. Deferred tax assets and liabilities reflect the tax rates expected to be in effect for the years in which the differences are expected to reverse. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax asset will not be realized.

Stock Splits

In 1996, the board of directors approved an 8.75 to 1 stock split. In November 1997, the board of directors approved a 2 to 1 stock split. In February 1998, the board of directors approved a 1.5 to 1 stock split. All share, stock option and stock warrant information included in the accompanying financial statements and related notes have been restated for all periods to reflect these stock splits. (See Note 14).

3. Concentration of Risk and Customer Information

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash equivalents and trade receivables. The Company does not generally require collateral from its customers and substantially all of its trade receivables are unsecured. At December 31, 1997 and 1998, five of the Company's customers accounted for $3,582 (79.2%) and $3,492 (91.3%) of net accounts receivable, respectively.

Sales to three customers amounted to approximately $1,301 (55.1%), $9,818 (43.5%) and $22,042 (70.1%) of total revenues for the five months ended December 31, 1996 and for the years ended December 31, 1997 and 1998, respectively.

Globespan Semiconductor Inc.

Notes to Financial Statements (Continued) (In Thousands, Except Share and Per Share Data)

The Company's sales to overseas customers are denominated in the U.S. dollar. Revenues by geographic region for the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998 were as follows:

	FIVE MONTHS ENDED	YEARS ENDED DECEMBER 31,

	DECEMBER 31,		
	1996	1997	1998
Net revenues:			
North America	$1,417	$11,458	$21,214
Europe	313	3,940	3,712
Mexico/Latin America	--	98	3,063
Asia	406	6,964	2,973
Australia	224	86	502
	$2,360	$22,546	$31,464

A single vendor manufactures substantially all of the chip sets sold by the Company. Purchases from this vendor approximated 94%, 98% and 81% of total inventory purchases for the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively. If this vendor were to become unwilling or unable to continue to manufacture these chip sets in required volumes, the Company would have to identify and qualify acceptable alternative vendors. The inability to develop alternative sources, if required in the future, could result in delays or reductions in product shipments.

4. Technology Licensing Agreements

The Company entered into technology licensing and right to use agreements whereby the Company receives fees for the use and/or sale of specific patented technology. Revenues from these agreements amounted to $1,409, $1,931 and $310 for the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively. (See Note 12).

5. Property and Equipment

Property and equipment consists of the following:

AS OF DECEMBER 31,	1997	1998
Computers and equipment	$3,028	$ 5,110
Office furniture and fixtures	68	131
Software	266	1,991
Leasehold improvements	37	1,099
Property under capital leases	--	861
	3,399	9,192
Less: accumulated depreciation	(458)	(2,512)
	$2,941	$ 6,680

Included in operating expenses is depreciation expense of $106, $702 and $2,054 for the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively. Of such amounts, $106 and $244 for the five months ended December 31, 1996 and the year ended December 31, 1997, respectively, represent a non-cash allocation of depreciation expense from Paradyne for the use of specified assets, which was recorded as a capital contribution. Accumulated amortization on assets accounted for as capital leases, amounted to approximately $47 as of December 31, 1998.

6. Revolving Credit Agreement

In May 1998, the Company entered into a revolving credit agreement with BankAmerica Business Credit, Inc. ("BABC") pursuant to which the Company may borrow the lesser of a borrowing base or $5.0 million ("the Available Facility"). The borrowing base is equal to 85.0% of eligible receivables, as defined. Outstanding borrowings on the Company's revolving credit facility bear interest, payable on a monthly basis, at a rate of 1.0% in excess of the reference rate announced by BABC. For the year ended December 31, 1998, the weighted average interest rate was 9.1%. Interest related to this facility was approximately $50 for the year ended December 31, 1998. The revolving credit agreement expires on January 31, 2000 and is automatically renewable for additional one-year terms unless terminated by the Company or BABC.

A portion of the revolving credit facility is available for the issuance of merchandise or standby letters of credit provided that the aggregate undrawn amount of all such outstanding merchandise and standby letters of credit does not exceed $1.0 million. The Company is charged a fee equal to 1.5% per annum on the aggregate face amount of each outstanding standby letter of credit and 0.75% per annum on the aggregate face amount of each outstanding merchandise letter of credit, which is payable on a monthly basis. As of December 31, 1998, the Company had no outstanding letters of credit under this agreement.

The Company is charged a commitment fee of 0.5% per annum, payable on a quarterly basis, on the difference between $5.0 million and the sum of average daily outstanding amount of the revolving credit facility and the average undrawn face amount of all outstanding letters of credit. Commitment fees relating to the above facility amounted to $13 for the year ended December 31, 1998. (See Note 12 for related party borrowings).

Substantially all of the Company's assets are pledged as collateral under the BABC revolving credit agreement. Under the terms of the credit agreement, the Company is required to maintain an account with BABC to which all customer payments are remitted and applied against the outstanding balance under the revolving credit agreement. Accordingly, the entire outstanding balance has been classified as

a current liability as of December 31, 1998. The credit agreement also contains various covenants which, among other things, restrict certain corporate actions including, but not limited to, mergers, sales of assets and payment of dividends. As discussed in Note 12, the Company purchased certain assets from Paradyne Corporation in December 1998, which constituted a violation of the revolving credit agreement. This violation was waived by BABC.

7. Stock Purchase Warrant

In connection with the Company's inception (see Note 1), the Company issued a warrant to acquire 1,312,500 shares of its common stock at an exercise price of $6.72 per share to Lucent. The warrant was due to expire upon payment or transfer by Paradyne Corporation, an affiliated company

("Paradyne"), of Paradyne's long-term debt maturing June 30, 2000 and upon the sale or merger of the Company (as provided in the Stock Warrant Agreement) at a price less than the exercise price. The warrant includes other provisions, including certain anti-dilution provisions.

In August 1998, Paradyne settled its outstanding long-term debt due June 30, 2000. As a term of such settlement, the Company agreed to extend the exercise period of the outstanding stock purchase warrant to the earlier of June 30, 2001 or the consummation of a qualifying business combination, as defined. In connection therewith, the Company recorded a $3,653 distribution to the Parent based on the increase in the fair value of the warrant resulting from the extension of the outstanding warrant term. (See Note 14).

8. Income Taxes

Deferred tax assets are comprised of the following:

AS OF DECEMBER 31, 1997 1998

Amortization of intangibles	$ 491	$ 670
Inventory obsolescence reserve	--	38
Depreciation	(52)	(190)
Accrued expenses	--	386
Other	61	25
Net operating loss carryforwards	--	2,121
	500	3,050
Less valuation allowance	--	(3,050)
Net deferred tax asset	$ 500	$ --

As of December 31, 1997, the Company did not provide a valuation allowance against its net deferred tax asset based on the net income generated during 1997 and management's expectations at such time that the Company's deferred tax assets would be realized through future earnings. Subsequent to 1997, the Company has modified its strategic plan and anticipates continuing investments to research and development and corporate infrastructure in advance of revenues. As such, as of December 31, 1998, the Company has established a full valuation allowance against its net deferred tax asset based on management's current belief that it is more likely than not that the benefits related to such net deferred tax asset will not be realized.

The components of the provision (benefit) for income taxes are as follows:

	FIVE MONTHS ENDED DECEMBER 31, 1996	YEARS ENDED DECEMBER 31, 1997	1998
Current:			
Federal	$(112)	$ 700	$ (649)
State	(16)	100	(23)
	(128)	800	(672)
Deferred:			
Federal	(122)	(172)	(1,834)
State	(18)	(60)	(761)
Change in valuation allowance	268	(268)	3,050
	128	(500)	455
Income tax provision (benefit)	$ --	$ 300	$ (217)

The Company has generated net operating loss carryforwards of approximately $4,800 as of December 31, 1998, which are due to expire in 2013. Section 382 of the Internal Revenue Code of 1986, as amended, places a limitation on the utilization of federal net operating loss carryforwards when an ownership change occurs. Generally, an ownership change occurs when a greater than 50% change in ownership takes place over a three-year test period. The annual utilization of net operating loss carryforwards generated prior to such change in ownership is limited, in any one year, to a percentage of the fair market value of the Company at the time of the ownership change.

The provision (benefit) for income taxes differs from the amount of income tax determined by applying the applicable U.S. income tax rate to income before taxes as follows:

	FIVE MONTHS ENDED DECEMBER 31, 1996	YEARS ENDED DECEMBER 31, 1997	1998
U.S. statutory rate	(34.0)%	34.0%	(34.0)%
State taxes	(5.0)	2.0	(6.6)

Other	0.5	6.3	0.0
Net operating loss utilized	0.0	(10.0)	0.0
Change in valuation allowance	38.5	(6.0)	37.9
Effective tax rate	0.0%	26.3%	(2.7)%

9. Earnings Per Share

The Company has adopted Statement of Financial Accounting Standards No. 128, Earnings per Share ("FAS 128"), which requires the presentation of basic earnings per share ("Basic EPS") and diluted earnings per share ("Diluted EPS") by all entities that have publicly traded common stock or potential common stock. FAS 128 also requires the presentation of earnings per share by an entity that has made a filing or is in the process of filing with a regulatory agency in preparation for the sale of those securities in a public market. Basic EPS is computed by dividing income available to

common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period. The computation of Diluted EPS does not assume conversion, exercise or contingent exercise of securities that would have an anti-dilutive effect on earnings. The dilutive effect of the outstanding stock warrants and options was computed using the treasury stock method.

The computations of Basic EPS and Diluted EPS for the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998 are as follows:

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER-SHARE AMOUNT
FIVE MONTHS ENDED DECEMBER 31, 1996			
Net loss	$ (800)		
Basic EPS:			
Income available to common stockholders	$ (800)	11,437,500	$(0.07)
Effect of dilutive stock options	--	--	--
Diluted EPS:			
Income available to common stockholders plus assumed conversions	$ (800)	11,437,500	$(0.07)
YEAR ENDED DECEMBER 31, 1997			
Net income	$ 842		
Basic EPS:			
Income available to common stockholders	$ 842	11,515,538	$ 0.07
Effect of dilutive stock options	--	1,190,894	--
Diluted EPS:			
Income available to common stockholders plus assumed conversions	$ 842	12,706,432	$ 0.07
YEAR ENDED DECEMBER 31, 1998			
Net loss	$(7,829)		
Basic EPS:			

```
  Income available to common stockholders.....    $(7,829)      12,084,711     $(0.65)
  Effect of dilutive stock options.....                --              --          --
Diluted EPS:
  Income available to common stockholders plus
     assumed conversions.....                     $(7,829)      12,084,711     $(0.65)
```

As of December 31, 1996 and 1998, the Company had outstanding options, restricted stock and a warrant to purchase an aggregate 3,138,000 and 3,374,181 shares of common stock, respectively, which are not included in the calculation of earnings per share for such periods, due to the anti-dilutive nature of these instruments.

10. Stock Option Plan

In December 1996, the Company adopted the 1996 Equity Incentive Plan (the "1996 Plan") pursuant to which, as amended, nonqualified or incentive stock options, stock bonus and restricted stock awards (collectively, "Stock Awards") to purchase up to 2,805,300 of the Company's common

stock may be granted to employees, directors and consultants. Stock Awards granted under the 1996 Plan generally vest in equal installments over a four-year period. The exercise price of incentive stock options granted under the 1996 Plan may not be less than the fair market value of the underlying shares (110% of the fair market value in the case of a 10% voting shareholder) at the grant date. Each stock option is exercisable for ten years (five years in the case of a 10% voting stockholder) from the date of grant. Through December 31, 1998, no stock options had been granted to a 10% stockholder.

Under the 1996 Plan, certain individuals to whom stock options have been granted may elect to exercise those options prior to the lapse of the full vesting period. Upon termination of employment, the Company may repurchase any unvested shares issued pursuant to such election at the exercise price. During the year ended December 31, 1998, the Company repurchased 64,063 shares under such provision. At December 31, 1996, 1997 and 1998, there were 0, 420,000 and 168,750 shares, respectively, issued and outstanding that were subject to this repurchase provision.

Stock bonuses and restricted stock awards issued under the 1996 Plan provide that shares awarded may not be sold or otherwise transferred until restrictions established by the underlying agreements have elapsed. Upon termination of employment, the Company may repurchase shares upon which restrictions have not lapsed. The 1996 Plan provides that the price for each restricted stock award shall not be less than 85% of the fair market value of the share at the date of grant.

Notes receivable from stock sales result from the exercise of stock options for promissory notes. The notes are full recourse promissory notes bearing interest at variable rates ranging from 5.94% to 6.16% and are collateralized by the stock issued upon exercise of the stock options. The notes including accrued interest thereon mature five years from the date of exercise.

Globespan Semiconductor Inc.

Notes to Financial Statements (Continued) (In Thousands, Except Share and Per Share Data)

A summary of the status of the Company's stock option plan through December 31, 1998 is as follows:

Exercise Price Per Share $1.00 $4.00 $6.00 $12.00 Total

Options outstanding at August 1, 1996	--	--	--	--	--
Granted	1,825,500	--	--	--	1,825,500
Options outstanding at December 31, 1996	1,825,500	--	--	--	1,825,500
Granted	612,600	--	--	--	612,600
Exercised	(849,174)	--	--	--	(849,174)
Forfeited	(223,000)	--	--	--	(223,000)
Options outstanding at December 31, 1997	1,365,926	--	--	--	1,365,926
Granted	--	114,000	155,083	349,542	618,625
Exercised	(37,175)	(3,979)	(1,500)	--	(42,654)
Forfeited	(21,850)	(16,000)	(8,716)	(2,400)	(48,966)
Options outstanding at December 31, 1998	1,306,901	94,021	144,867	347,142	1,892,931
Weighted average remaining life on outstanding options	7.97	8.68	9.16	9.39	8.36

Outstanding options at December 31, 1998 have a weighted average exercise price of $3.55 per share. At December 31, 1998, 1,268,874 shares of the outstanding stock options were vested and 84,604 additional stock options were available for grant.

Employee Stock Options

The Company accounts for stock options granted to employees in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. Accordingly, no compensation has been recorded since grants are made at fair market value. Had the compensation cost for the Stock Option Plan been determined based on the fair value at the grant dates for awards under the 1996 Plan consistent with the method of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("FAS 123"), the Company's net (loss) income on a pro forma basis would have been ($800), $823 and ($9,236) for the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively, calculated with the use of the Black

Scholes option-pricing model. The following assumptions were used for the five months ended December 31, 1996 and the year ended December 31, 1997 and 1998: (1) risk-free interest rate of 6.2%, 6.6% and 4.6%, respectively; (2) dividend yield of 0.00%; (3) expected life of five years; and (4) volatility of .001%. Results may vary depending on the assumptions applied within the model.

Globespan Semiconductor Inc.

Notes to Financial Statements (Continued) (In Thousands, Except Share and Per Share Data)

Non-employee Options

In fiscal 1997 and 1998, the Company granted 669,000 and 16,500 stock options, respectively, to non-employees. In accordance with the requirements of FAS 123, the Company recorded $52 and $44, respectively, reflecting the estimated fair value of these options utilizing the Black Scholes option-pricing model. The Company will amortize this obligation to expense over the period services are performed.

11. Commitments and Contingencies

In October 1996, the Company became the sub-tenant of Paradyne under a noncancelable operating lease for office and research and development facilities located in Red Bank, New Jersey which expires April 30, 2002. In addition, the Company leases certain computer and office equipment under agreements that are classified as capital leases, the net book value of which was $814 at December 31, 1998. Minimum required future lease payments under the Company's capital and operating leases at December 31, 1998 are as follows:

	CAPITAL LEASES	OPERATING LEASES
YEARS ENDED DECEMBER 31,		
1999	$361	$ 813
2000	294	813
2001	240	835
2002	7	317
2003	4	--
Total minimum lease payments	906	$2,778
Less: amount representing interest	(108)	
Present value of net minimum lease payments	798	
Less: current portion	(292)	
	$506	

Rent expense for the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998 approximated $126, $467 and $868, respectively, and is included in operating expenses.

In July 1995, AT&T Paradyne entered into a technology development agreement with Bell Atlantic Network Services, Inc. ("Bell Atlantic"). Under the terms of the agreement, the Company's predecessor entity provided use of certain Digital Subscriber Line ("DSL") technologies to third party suppliers for the purpose of development of DSL network access products incorporating CAP technology. Bell Atlantic paid $5.0 million under the agreement in return for the right to receive up to $7.0 million of commission fees based on future sales of products to Bell Atlantic or other qualified third party companies, as defined in the agreement. In connection with the Company's inception (see Note 1), this agreement was assigned to the Company as the successor entity. No commission fees have been accrued related to this agreement since such fees are only payable based on future sales. Through the year ended December 31, 1998, no fees have been paid to Bell Atlantic under this agreement. All research and development requirements of the agreement were completed by the Company's predecessor entity in 1995.

Globespan Semiconductor Inc.

Notes to Financial Statements (Continued) (In Thousands, Except Share and Per Share Data)

The semiconductor and telecommunications industries are characterized by substantial litigation regarding patent and other intellectual property rights. The Company is party to various inquiries or claims in connection with these rights. Although the ultimate outcome of these matters is not presently determinable, management believes that the resolution of these matters will not have a material adverse effect on the Company's financial position and results of operations.

12. Related Party Transactions

In 1996, the Company entered into a license agreement with Paradyne Corporation for the use of certain technologies. Total revenues related to the use of these agreements was $235 for the five months ended December 31, 1996 and has been included in other revenue.

During the years ended December 31, 1997 and 1998, the Company recorded product sales of $373 and $962, respectively, related to goods sold to Paradyne Corporation. Such sales reflect, through June 30, 1998, a discount, equal to cost plus 15%, provided to Paradyne pursuant to a Cooperative Development Agreement. In July 1998, the Company revised its discounted pricing arrangement with Paradyne which had existed under the Cooperative Development Agreement. Paradyne agreed to modify the pricing terms such that Paradyne purchased products from the Company at preferential prices. In exchange, the Company agreed to pay a 1.25% fee based on net revenues up to an aggregate amount of $1.5 million. The Company recorded a charge of $381, which is included in cost of sales, related to the agreement during the year ended December 31, 1998. In addition, Paradyne Corporation

provided operating, management and other administrative services for the Company of $0, $155 and $231 for the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively. (See Notes 11 and 13).

In fiscal 1997, the Company purchased fixed assets from Paradyne approximating $350. In February and December 1998, the Company purchased fixed assets from Paradyne for an aggregate cost of $1,442. These assets were sold at their net book value since the transaction involved entities under common control.

In 1997, the Company paid Paradyne $194 as a reimbursement for their cost of chip sets purchased on GlobeSpan's behalf. These payments were equal to the amount paid by Paradyne for the initial purchase of the inventory.

In December 1997 and September 1998, the Company purchased from Paradyne certain GlobeSpan chip sets which it held in its inventory in the amounts of $98 and $29, respectively. GlobeSpan purchased these chip sets for resale to other customers.

In December 1998, the Company subleased additional office space from Paradyne (see related disclosure in Note 11). In connection therewith, the Company reimbursed approximately $392 of Paradyne's moving expenses, the cost of which is included in operating expenses for the year ended December 31, 1998.

GlobeSpan is covered under a group insurance policy with Paradyne for an annual premium amount of $85.

In May 1998, the Company entered into a subordinated credit agreement with Communication Partners in the aggregate principal amount of $5.0 million. Such loan bears interest at a rate of 8.0% payable on a monthly basis and expires on May 1, 2003. Outstanding borrowings under this loan agreement may be prepaid at any time, without penalty, subject to limitations contained in the BABC

revolving credit agreement. Interest related to this facility approximated $95 for the period ended December 31, 1998. In December 1998, the amount available under the credit agreement was increased to $10.0 million, of which $5.0 million expires on March 31, 2000.

13. Defined Contribution Plan

The Company participates in a 401(k) plan covering substantially all employees, which is maintained by Paradyne. Benefits vest based on number of years of service. The Company's policy is to match two-thirds of an employee's contributions, up to 6.0% of an employee's annual salary. Additionally, the board of directors may grant discretionary contributions based on an employee's age. Contributions to the plan paid by Paradyne on behalf of the Company amounted to approximately $45, $242 and $348 for the five months ended December 31, 1996 and the years ended December 31, 1997 and 1998, respectively. In addition, the Company accrued $179 for discretionary contributions as of December 31, 1998.

14. Subsequent Events

Reverse Stock Split and Recapitalization

On March 12, 1999, the Company's board of directors approved the amendment of the certificate of incorporation to effect a 1-for-3 reverse stock split applicable to all issued and outstanding shares of its common stock and increased its authorized capital to 10,000,000 shares of preferred stock, $0.001 par value and 100,000,000 shares of common stock $0.001 par value. The 1-for-3 reverse stock split and the increase in the authorized preferred shares has not been approved by the Company's stockholders and is contingent upon the closing of the Company's proposed initial public offering of its common stock (the "IPO"). All share, stock option and stock warrant information included in these financial statements and related footnotes have been restated for all periods to reflect this reverse stock split and recapitalized for all periods presented.

Termination Agreement with Paradyne

In March 1999, the Company and Paradyne agreed to terminate the Cooperative Development Agreement (see Note 12). In connection with such termination agreement, the Company agreed to pay Paradyne an aggregate of $1.5 million, less the amounts previously paid of approximately $0.3 million (or approximately $1.2 million) to terminate the July discount pricing arrangement with Paradyne Corporation. Such payment will be made in 1999 and will be charged to cost of sales. In addition, GlobeSpan and Paradyne Corporation as part of the Termination Agreement affirmed that the earlier technology license provisions of the Cooperative Development Agreement were never implemented. In conjunction with the signing of the Termination Agreement, GlobeSpan and Paradyne Corporation also entered into a four-year Supply Agreement which gave Paradyne Corporation preferential pricing and other terms in connection with the sale by GlobeSpan of products to Paradyne Corporation. In addition, under the terms of the Supply Agreement, GlobeSpan is required to honor Paradyne Corporation's orders for GlobeSpan's products in quantities at least consistent with Paradyne Corporation's past ordering practices and must afford Paradyne Corporation at least the same priority

for Paradyne Corporation's orders as GlobeSpan affords its other similarly situated customers. GlobeSpan also granted Paradyne Corporation a standard customer immunity under GlobeSpan's intellectual property rights with respect to any of Paradyne Corporation's products which incorporate GlobeSpan's products.

Globespan Semiconductor Inc.

Notes to Financial Statements (Continued) (In Thousands, Except Share and Per Share Data)

Amendment to the Lucent Technologies Warrant

In March 1999, Communication Partners forgave $100 of the subordinated note payable (see Note 6), as consideration for the extension of the outstanding warrant. (See Note 7).

Amendment to the 1996 Equity Incentive Plan

On March 12, 1999, the Company's board of directors approved an increase in the number of shares reserved for issuance under the 1996 Plan to 3,205,300. The increase in shares has not been approved by the Company's stockholders and is contingent upon the closing of the Company's proposed IPO.

Employee Stock Purchase Plan

On March 12, 1999, the Company's board of directors approved the adoption of an Employee Stock Purchase Plan (the "Purchase Plan"). The Purchase Plan has not been approved by the Company's stockholders and is contingent upon the closing of the Company's IPO. Upon adoption of the Purchase Plan by the stockholders and closing of the Company's IPO, the Company will reserve 400,000 shares of its common stock for issuance under the Purchase Plan, which shall automatically increase each year beginning May 1, 2000, by the lesser of 2.0% of the total number of shares of common stock then outstanding or 400,000 shares. The Purchase Plan will permit each eligible employee, as defined, to purchase shares of the Company's common stock through payroll deductions, provided that the aggregate amount of each employee's payroll deductions does not exceed 15.0% of his cash compensation. Purchases of common stock will occur on April 30 and October 31 of each year. The Purchase Plan, if and when approved by the Company's stockholders, will be administered by the Compensation Committee of the board of directors in accordance with the terms of the Purchase Plan.

1999 Equity Incentive Plan On March 12, 1999, The Company's board of directors approved the adoption of the 1999 Equity Incentive Plan (the "1999 Plan"). The 1999 Plan has not been approved by the Company's stockholders and is contingent upon the closing of the Company's IPO. Upon adoption

of the 1999 Plan by the stockholders and closing of the Company's IPO, the Company will reserve 1,000,000 shares of its common stock, together with the shares of common stock remaining available for issuance under the 1996 Plan, for issuance under the 1999 Plan. Subject to stockholder approval, the number of shares reserved for issuance under the 1999 Plan shall automatically increase each year beginning May 1, 2000, by the lesser of 5.0% of the total number of shares of common stock then outstanding or 1,000,000 shares. Under the 1999 Plan, the Company may grant incentive or nonqualified stock options, stock appreciation rights, restricted stock or stock units to employees, non-employee directors and consultants. The 1999 Plan, if and when approved by the Company's stockholders, will be administered by the Compensation Committee of the board of directors in accordance with the terms of the 1999 Plan.

1999 Director Stock Plan On March 12, 1999, the Company's board of directors approved the adoption of the 1999 Director Stock Plan (the "Director Plan"). The Director Plan has not been approved by the

Company's shareholders and is contingent upon the closing of the Company's IPO of its common stock. Upon adoption of the Director Plan by the stockholders and closing of the Company's IPO, the Company will reserve 250,000 shares of its common stock for issuance under the Director Plan. Under the Director Plan, the Company may only grant nonqualified stock options to non-employee directors. The 1999 Plan provides for automatic grants to non-employee directors of the Company at defined intervals beginning on the effective date of the Company's IPO. Each non-employee director of the Company will be granted an option to purchase 5,000 shares of common stock at the IPO price upon consummation of the Company's IPO and an additional option to purchase 5,000 shares of common stock on the date of the Company's annual stockholders' meeting in the year 2001, provided that the director continues to serve as a director of the Company. Each non-employee director elected to serve following the consummation of the IPO will be granted an option to purchase 5,000 shares of common stock on the date he or she is first elected to the board of directors and an additional option to purchase 5,000 shares of common stock on the date of the Company's annual stockholder's meeting in the calendar year following such initial election. At each annual stockholder's meeting following the annual meeting during which each non-employee director received the second option to purchase 5,000 shares of common stock, each non-employee director will be granted an option to purchase 2,500 shares of common stock. Stock options granted pursuant to the Director Plan vest upon the director's completion of twelve months of service during which he or she attended at least 75% of the meetings of the Company's board of directors.

(inside cover)

Color Photo of GlobeSpan products. Picture shows a digital communication processor chip, an analog front end chip, and a DSL reference design guide and DSL development system.

(Front Cover fold out) Color graphic of a Telecommunication Service providers local loop network deploying an HDSL Internet service and an HDSL business data service. The graphic shows the digital subscriber line access multiplexer and HDSL modem in the central office. It also shows the ADSL modem in the residential end user location and the HDSL modem in the business end user location. The picture also shows DSL equipment located in a multidwelling unit location to provide Internet access to end users living in the dwelling unit.

, 1999

Globespan Semiconductor Inc. Logo

Shares of Common Stock

Prospectus

DONALDSON, LUFKIN & JENRETTE BANCBOSTON ROBERTSON STEPHENS SG COWEN THOMAS WEISEL PARTNERS LLC

Dljdirect Inc.

We have not authorized any dealer, sales person or other person to give you written information other than this prospectus or to make representations as to matters not stated in this prospectus. You must not rely on unauthorized information. This prospectus is not an offer to sell these securities or our solicitation of your offer to buy the securities in any jurisdiction where that would not be permitted or legal. Neither the delivery of this prospectus nor any sales made hereunder after the date of this prospectus shall create an implication that the information contained herein or the affairs of GlobeSpan have not changed since the date hereof.

Until , 1999 (25 days after the date of this prospectus), all dealers that effect transactions in these shares of common stock may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to their unsold allotments or subscriptions.

Part Ii

Information Not Required in Prospectus

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by GlobeSpan in connection with the sale of common stock being registered. All amounts are estimates except the SEC registration fee and the NASD filing fees.

SEC registration fee	$ 15,290
NASD fee	6,500
Nasdaq National Market listing fee	30,000
Printing and engraving expenses	200,000
Legal fees and expenses	500,000
Accounting fees and expenses	400,000
Blue sky fees and expenses	10,000
Transfer agent fees	10,000
Miscellaneous fees and expenses	128,210
Total	$1,300,000

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law authorizes a court to award or a corporation's Board of Directors to grant indemnification to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933, as amended (the "Securities Act"). Article VII, Section 6, of the Registrant's bylaws provides for mandatory indemnification of its directors and officers and permissible indemnification of employees and other agents to the maximum extent permitted by the Delaware General Corporation Law. The Registrant's certificate of incorporation provides that, pursuant to Delaware law, its directors shall not be liable for monetary damages for breach of the directors' fiduciary duty as directors to GlobeSpan and its stockholders. This provision in the certificate of incorporation does not eliminate the directors' fiduciary duty, and in appropriate circumstances equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to GlobeSpan for acts or omissions not in good faith or involving intentional misconduct, for knowing violations of law, for actions leading to improper personal benefit to the director, and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Delaware law. The provision also does not affect a director's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws. Prior to the closing of this offering, the Registrant will enter into Indemnification Agreements with its officers and directors, a form of which is attached as Exhibit 10.1 hereto and incorporated herein by reference. The Indemnification Agreements provide the Registrant's officers

and directors with further indemnification to the maximum extent permitted by the Delaware General Corporation Law. Reference is made to Section of the Underwriting Agreement contained in Exhibit 1.1 hereto, indemnifying officers and directors of the Registrant against certain liabilities.

Item 15. Recent Sales of Unregistered Securities

Since June 7, 1996, Registrant has issued and sold the following securities (which numbers do not reflect the 8.75 for 1 split effected on November 25, 1996, the 2 for 1 split effected on October 16, 1997, the 1.5 for 1 split effected on February 25, 1998, or the reverse 1 for 3 split to be effected prior to this offering):

(1) On June 7, 1996, Registrant issued 1,000 shares in a private placement of its common stock at a purchase price of $1.00 per share, for cash in the aggregate amount of $1,000, to Communication Partners, L.P. pursuant to the divestiture of GlobeSpan.

(2) On July 31, 1996, Registrant issued a warrant for 150,000 shares of its common stock, with an exercise price of $58.83, to Lucent Technologies in connection with the divestiture of GlobeSpan.

(3) On November 25, 1996, Registrant issued an aggregate of 4,000,000 shares in a private placement of its common stock, at a purchase price of $1.00 per share, for cash in the aggregate amount of $4,000,000, to Communication Partners, L.P. pursuant to a Common Stock Purchase Agreement.

(4) As of March 11, 1999, Registrant has sold and issued 897,369 shares of its common stock for an aggregate purchase price of $916,985 to employees and consultants pursuant to direct issuance and to exercises of options under its 1996 Option Plan.

The sale of the above securities was deemed to be exempt from registration under the Securities Act in reliance upon Section 4(2) of the Securities Act or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or transactions pursuant to compensation benefit plans and contracts relating to compensation as provided under such Rule 701. The recipients of securities in each such transaction represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the share certificates issued in such transactions. All recipients had adequate access, through their relationships with the Registrant, to information about the Registrant.

Item 16. Exhibits and Financial Statement Schedules

(A) Exhibits

Exhibit No. Description

1.1*	Form of Underwriting Agreement (preliminary form).
3.1	Certificate of Incorporation of the Registrant, as amended to date.
3.2	Form of Restated Certificate of Incorporation to be filed upon the closing of the offering made pursuant to this Registration Statement.
3.3	Bylaws of the Registrant.
3.4	Bylaws of the Registrant effective upon the close of the offering made pursuant to this Registration Statement.
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4.
4.2*	Specimen Common Stock certificate.
5.1*	Opinion of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian.
10.1	Form of Indemnification Agreement.
10.2	1999 Equity Incentive Plan.
10.3	Employee Stock Purchase Plan.
10.4	1999 Director Stock Plan.
10.5	Business Loan Agreement between BankAmerica Business Credit and Registrant, dated May 14, 1998.

Exhibit No. Description

10.6	Warrant for the purchase of Common Stock made by the Registrant and held by Lucent Technologies Inc., dated July 31, 1996.
10.7*	Amendment to Warrant for the purchase of Common Stock made by the Registrant and held by Lucent Technologies Inc., dated August 28, 1998.
10.8	Real Property Lease between Paradyne Corporation and Shav Associates, dated October 8, 1996.
10.9	Real Property Sublease by and between Registrant and Paradyne Corporation, dated December 10, 1997.
10.10	Amendment to Real Property Sublease by and between Registrant and Paradyne Corporation, dated January 1, 1999.
10.11*	Termination Agreement between Registrant and Paradyne Corporation, dated , 1999.
10.12	Subordinated Promissory Note between Registrant and Communication Partners, L.P., dated December 15, 1998.
10.13*	Bill of Sale between Registrant and Paradyne, dated , 1999.
10.14	Employment Agreement between Registrant and Armando Geday, dated April 1, 1997.
10.15	Employment Agreement between Registrant and Thomas Epley, dated August 29, 1997.
10.16*	Supply Agreement between Registrant and Lucent, dated July 31, 1996.
10.17*	Intellectual Property Agreement among Registrant, Lucent and Paradyne, dated July 31, 1996.
10.18*	Noncompetition Agreement between Registrant, Paradyne and Lucent dated July 31, 1996.

10.19*	Trademark and Patent Agreement between Registrant, Paradyne and Lucent dated July 31, 1996.
10.20*	Intercompany Services Agreement between Registrant and Paradyne dated July 31, 1996.
10.21*	Tax Matters Agreement between Registrant and Paradyne dated July 31, 1996.
10.22*	Purchase Agreement among Registrant, Lucent, Paradyne, Rental Acquisition Corp. and Lease Acquisition Corp. dated July 31, 1996.
10.23*	Supply Agreement between Registrant and Paradyne dated , 1999.
23.1	Consent of Independent Accountants.
23.2	Consent of Counsel. Reference is made to Exhibit 5.1.
24.1	Power of Attorney (see page II-5).
27.1	Financial Data Schedule for EDGAR Filing.

* To be filed by amendment.

Item 17. Undertakings

The Registrant hereby undertakes to provide to the underwriters at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the Delaware General Corporation Law, the Certificate of Incorporation or the Bylaws of the Registrant, the Underwriting Agreement, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed

to be the initial bona fide offering thereof.

Signatures

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Palo Alto, State of California, on this 12th day of March, 1999.

Globespan Semiconductor Inc.

By: /s/ ARMANDO GEDAY Armando Geday President and Chief Executive Officer

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each individual whose signature appears below constitutes and appoints Armando Geday and Robert McMullan, and each of them, his true and lawful attorneys-in-fact and agents with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to sign any registration statement for the same offering covered by this Registration Statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act of 1933, and all post-effective amendments thereto, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED:

/s/ ARMANDO GEDAY - ---------- Armando Geday	President, Chief Executive Officer (Principal Executive Officer) and Director	March 12, 1999
/s/ ROBERT MCMULLAN - ---------- Robert McMullan	Chief Financial Officer (Principal Financial and Accounting Officer)	March 12, 1999

/s/ THOMAS EPLEY Director March 12, 1999 Thomas Epley /s/ KEITH GEESLIN Director March 12, 1999 Keith Geeslin /s/ DAVID STANTON Director March 12, 1999 David Stanton /s/ DIPANJAN DEB Director March 12, 1999 Dipanjan Deb /s/ JAMES COULTER Director March 12, 1999 James Coulter

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