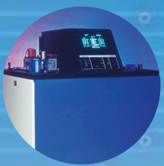
RESEARCH

2010 Annual Report

Lam Research
30 years

PRODUCT AND TECHNOLOGY MILESTONES



1981

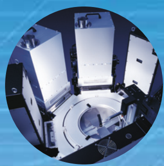
Introduced first product, the AutoEtch 480, for poly-silicon etch

1987

Introduced Rainbow® Etch Series, successor to AutoEtch

1988

Introduced SEZ® spin technology for single-wafer clean

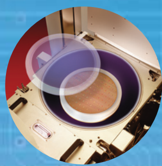


1992

Introduced first Transformer Coupled Plasma™ based products, the TCP® 9400 for silicon etch and the TCP® 9600 for metal etch

1995

Introduced first product incorporating Dual Frequency Confined™ technology for dielectric etch



2000

Launched 2300® platform, offering 200 mm and 300 mm capability

2003

Launched Da Vinci® spin clean platform

CORPORATE MILESTONES

1980

Company founded by David K. Lam

1982

Appointed Roger D. Emerick as Chief Executive Officer

1985

Established a global presence with offices in Asia and Europe

1990

Lam Research 10th Anniversary

1995

Achieved $1 billion Revenue

1997

Appointed James W. Bagley as Chief Executive Officer

1997

Appointed Stephen G. Newberry as Chief Operating Officer

This year, Lam Research proudly celebrates 30 years of innovation and achievement as a major supplier of wafer fabrication equipment and services to the semiconductor industry. Our strong Company performance is the result of practicing a values-based approach to business and dedication to the success of our customers. As we reflect on our important achievements over the years, illustrated by the milestones below, we want to take this opportunity to acknowledge the contributions of our employees. Without their passion, commitment, and diverse talents, Lam Research would not be the recognized industry leader it is today.

2004

Introduced 2300® Exelan® Flex™ and 2300® Versys® Kiyo® products for dielectric and conductor etch

2006

Introduced C3™ linear wet clean technology

2007

Introduced DV-Prime™ next-generation spin clean system

Shipped first 300 mm 2300® Syndion® system for TSV etch

Launched 2300® Coronus® plasma bevel clean system

2008

Launched 2300® Kiyo® C Series next-generation conductor etch system

Shipped next-generation linear clean product

2009

Introduced 2300® Flex™ D Series next-generation dielectric etch system

2010

Shipped 7,500th etch process module for the 2300® platform

Shipped 3,000th single-wafer spin clean process module

Shipped 2300® Kiyo® E Series and 2300® Flex™ E Series etch products

2000

Lam Research 20th Anniversary

2005

Appointed Stephen G. Newberry as President and Chief Executive Officer

2006

Achieved $2 billion Revenue

Acquisition of Bullen Semiconductor (now Silfex™, Inc.)

2008

Appointed Martin B. Anstice as Executive Vice President and Chief Operating Officer

Acquisition of SEZ AG (now Lam Research AG)

2009

Launched Silfex™, Inc., a division of Lam Research

LAM RESEARCH 30 YEARS

2010

Lam Research 30th Anniversary

To Our Stockholders:

Lam Research marked its 30th anniversary in 2010. As we reflect back on the Company's three decades of growth and leadership, we also look ahead and are excited by our opportunities for the future.

Our view of the future is supported by what we have achieved over the course of last year's dynamic industry environment. As we began our fiscal year, the semiconductor industry was just starting to recover from the impact of a historic global macroeconomic downturn. Our business volumes improved rapidly throughout the year as our customers resumed capital spending more quickly than we had anticipated. We returned to profitability early in fiscal 2010 and concluded this year with revenues nearly doubling to $2.1 billion. Our GAAP earnings per share totaled $2.71, in contrast to the $2.41 loss per share reported for fiscal 2009. Lam Research generated approximately $350 million in operating cash flow and ended the year with more than $825 million in cash and short-term investments, a figure that reflects both solid operating performance and closely managed valuable cash resources during the recession.

The dramatic improvement in Lam's performance is a result of our strategic efforts to manage our growth across the semiconductor industry's inevitable cycles. The variable business model we implemented early in this decade remains central to our success, having set the bar among our peers for operating performance efficiency and enabling us to react quickly to industry swings. We scaled down variable expenses during the downturn while continuing to invest in our products, enabling us to maintain a strong portfolio offering differentiated technical solutions at the leading edge of our industry.

In our etch business, our highly respected and trusted management team continued to work closely with our customers to understand their challenges, their plans, and their needs. The result – Lam Research is expected to achieve a market share position, based on current shipment volumes, of greater than 50% by the end of calendar 2010, an unprecedented accomplishment in the etch market.

We have made rapid advances in etch over the last ten years resulting in market share leadership. We are implementing a similar approach in single-wafer clean as we deliver on our strategy to expand into adjacent wafer fabrication equipment markets.

The timing of our entry into the clean market a few years ago coincided with customer migration to single-wafer from batch processes. Today, single-wafer clean represents over half of the total served available market in clean and translates to a greater than $1 billion market opportunity. With a strong product line and a solid position among the foundry and memory customers leading the migration to single-wafer clean, Lam Research shipped its 3,000th single-wafer clean system during fiscal 2010 and continues to focus on winning new applications that should result in future market share expansion.

To sustain and build on the gains we are achieving in etch and clean, we place high priority on world-class customer support. We are partnering closely with our customers to improve their productivity and yields, while also lowering their cost of ownership. Our upgrades and refurbishment business is successfully addressing this latter goal, meeting the growing demand for used equipment as chipmakers balance increasing demand with lingering capital constraints as the global economy recovers. Over the past year, Lam Research is proud to have been recognized by many of our key customers as one of their leading and most trusted suppliers. This recognition illustrates our dedication to our customers.

Lam Research is well positioned as we look out over the next several years. Underlying semiconductor demand appears healthy, though the pace and trajectory of economic recovery remain unpredictable. We are seeing a period of innovation in consumer electronics, featuring growing semiconductor content in an array of devices, which should support continued demand for logic and memory chips. Equally important demand drivers are the continued global penetration of smartphones and the long-delayed corporate PC refresh cycle, now finally underway. Should industry fundamentals remain strong, spending for capacity additions will continue to support semiconductor demand growth, fueling what could be a sustained period of strength in wafer fabrication equipment spending.

Lam's track record for consecutively improving its performance exiting each of the last two semiconductor industry downturns suggests continued growth opportunities for the Company in the next cycle. We have expanded our served available markets, which now comprise well over 15% of the entire wafer fabrication equipment market. Continued application wins and customer recognition of our strong support organization demonstrate that we are executing to the needs of our customers. We are operating the business at a high degree of efficiency, with fast cycle times in order fulfillment and strong cash flow generation. In short, we believe that our technology and market leadership combined with operational excellence translates to a sustainable competitive advantage for Lam Research at a time when our end-markets are strengthening.

We would like to close by thanking two groups in particular who are instrumental in Lam's success: our global employee organization, which has delivered exceptional results in a challenging environment, and our customers, for whose partnership and support we are very grateful. Thank you also to our shareholders for your belief in Lam Research and our future prospects. We are looking forward to the next 30 years.

Sincerely,

Stephen G. Newberry
President and Chief Executive Officer

James W. Bagley
Executive Chairman of the Board

OCTOBER 1, 2010

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
San Jose, California

LEGAL COUNSEL

Jones Day
San Francisco, California

TRANSFER AGENT AND REGISTRAR

For a response to questions regarding misplaced stock certificates, changes of address, or the consolidation of accounts, please contact the Company's transfer agent.

BNY Mellon Shareowner Services
P.O. Box 358015
Pittsburgh, PA 15252-8015

1.877.265.2630

TDD for Hearing Impaired:
1.800.231.5469

Foreign Shareowners:
1.201.680.6578

TDD Foreign Shareowners:
1.201.680.6610

Website Address:
www.bnymellon.com/shareowner/isd

STOCK LISTING

The Company's common stock is traded on the NASDAQ Global Select Market℠ under the symbol LRCX. Lam Research is a NASDAQ-100® company.

INVESTOR RELATIONS

Lam Research Corporation welcomes inquiries from its stockholders and other interested investors. For additional copies of this report or other financial information, please contact:

Investor Relations
Lam Research Corporation
4650 Cushing Parkway
Fremont, California 94538
1.510.572.1615
investor.relations@lamresearch.com

ANNUAL MEETING

The Annual Meeting of Stockholders will be held at 11:00 a.m. Pacific Time on Thursday, November 4, 2010, at the Company's corporate headquarters.

CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

With the exception of historical facts, the statements contained in this Letter to Our Stockholders ("Letter") are forward-looking statements. Forward-looking statements are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. We have identified certain, but not necessarily all, of the forward-looking statements in the Letter by use of future-oriented words and phrases such as "look ahead", "in the future", "expect", and "should". However, our identification of certain statements as "forward-looking" does not mean that other statements not specifically identified are not forward-looking. Forward-looking statements include, but are not limited to, statements that relate to: our general prospects for the future; projections of future market share position in our etch business; the market opportunity for single-wafer clean products and our prospects for market share expansion; the health of semiconductor demand; the impact of innovations in consumer electronics on future demand for logic and memory chips; the timing of the corporate PC refresh cycle and its impact on semiconductor demand; prospects for a sustained period of strength in wafer fabrication equipment spending; growth opportunities for the Company in the current semiconductor industry upturn; the Company's ability to sustain a competitive advantage; and the strengthening of our end markets. These statements are based on current expectations and are subject to risks, uncertainties, and changes in condition, significance, value and effect, including without limitation those discussed under the heading "Risk Factors" within Item 1A of our fiscal 2010 Form 10-K; under the heading "Cautionary Statement Regarding Forward-Looking Statements" at the beginning of Part I of the Form 10-K; and other documents we file from time to time with the Securities and Exchange Commission, such as our quarterly reports on Form 10-Q and current reports on Form 8-K. These risks, uncertainties and changes in condition, significance, value and effect could cause our actual results to differ materially from those expressed in this Letter and in ways that are not readily foreseeable. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Letter and are based on information currently and reasonably known to us. We do not undertake any obligation to update any forward-looking statements, or to release the results of any revisions to these forward-looking statements, to reflect the impact of anticipated or unanticipated events or circumstances that occur after the date of this Letter.

TRADEMARK INFORMATION

October 4, 2010

Dear Lam Research Stockholders,

We cordially invite you to attend, in person or by proxy, the Lam Research Corporation 2010 Annual Meeting of Stockholders. The Annual Meeting will be held on Thursday, November 4, 2010, at 11:00 a.m. Pacific Standard Time at the principal executive offices of Lam Research Corporation, which are located at 4650 Cushing Parkway, Fremont, California 94538. You may also listen to the Annual Meeting via webcast by clicking on Calendar/Webcasts link at *http://investor.lamrc.com*.

At this year's Annual Meeting, the agenda includes the following items:

Agenda Item		Board Recommendation
Proposal No. 1:	Election of Directors	**FOR**
Proposal No. 2:	Approval of the 2004 Executive Incentive Plan, as amended and restated	**FOR**
Proposal No. 3:	Ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2011	**FOR**

Please refer to the Proxy Statement for detailed information about the Annual Meeting and each of the Proposals, as well as voting instructions. **Your vote is important, and we strongly urge you to cast your vote via the Internet, phone or mail.**

Sincerely yours,

Lam Research Corporation

JW Bagley

James W. Bagley
Executive Chairman of the Board

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4650 Cushing Parkway
Fremont, California 94538
Telephone: 510-572-0200

NOTICE OF 2010 ANNUAL MEETING OF STOCKHOLDERS

DATE AND TIME	Thursday, November 4, 2010 at 11:00 a.m. Pacific Standard Time
PLACE	Principal executive offices of Lam Research Corporation, 4650 Cushing Parkway, Fremont, California 94538
INTERNET	Listen to the Annual Meeting online by clicking on the Calendar/Webcasts link at *http://investor.lamrc.com*. The proxy materials are also available at that website and at *www.proxyvote.com*.
AGENDA	**Vote on Proposal No. 1:** Election of Directors to serve for the ensuing year, and until their respective successors are elected and qualified **Vote on Proposal No. 2:** Approval of 2004 Executive Incentive Plan, as amended and restated **Vote on Proposal No. 3:** Ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending June 26, 2011 Transact other business that may properly come before the Annual Meeting (including any adjournment or postponement)
RECORD DATE	September 10, 2010. Only stockholders of record at the close of business on the Record Date are entitled to notice of and to vote at the Annual Meeting.
VOTING	Please vote as soon as possible, even if you plan to attend the Annual Meeting in person. You have three options for submitting your vote before the Annual Meeting: by the Internet, phone or mail. The Proxy Statement and the accompanying proxy card provide detailed voting instructions.

By Order of the Board of Directors

George M. Schisler, Jr.
Secretary

This Proxy Statement is first being mailed to our stockholders on or about October 4, 2010

LAM RESEARCH CORPORATION

PROXY STATEMENT
FOR
2010 ANNUAL MEETING OF STOCKHOLDERS
To Be Held November 4, 2010

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LAM RESEARCH CORPORATION

PROXY STATEMENT FOR 2010 ANNUAL MEETING OF STOCKHOLDERS

Our Board of Directors (the "Board") solicits your proxy for the 2010 Annual Meeting of Stockholders and any adjournment or postponement of the meeting, for the purposes described in the "Notice of 2010 Annual Meeting of Stockholders." The table below shows important details about the Annual Meeting and voting. We use the terms "Lam Research," the "Company," "we," "our," "Lam's," and "us" in this Proxy Statement to refer to Lam Research Corporation, a Delaware corporation.

Record Date	September 10, 2010. Only stockholders of record at the close of business on the Record Date are entitled to receive notice of and to vote at the Annual Meeting.
Shares Outstanding	122,873,314 shares of common stock outstanding as of the Record Date.
Quorum	A majority of shares outstanding on the Record Date constitutes a quorum. A quorum is required to transact business at the Annual Meeting.
Inspector of Elections	The Company will appoint an Inspector of Elections to determine whether a quorum is present. The Inspector will also tabulate the votes cast by proxy or at the Annual Meeting.
Effect of Abstentions and Broker Non-Votes	Shares voted "abstain" and broker non-votes (shares held by brokers that do not receive voting instructions from the beneficial owner of the shares, and do not have discretionary authority to vote on a matter) will be counted as present for purposes of determining whether we have a quorum. For purposes of voting results, abstentions and broker non-votes will not be counted.
Voting by Proxy	Stockholders may vote by Internet, phone, or mail, per the instructions on the accompanying proxy card.
Voting at the Meeting	Stockholders can vote in person during the meeting. Stockholders of record will be on a list held by the Inspector of Elections. Each beneficial owner (an owner who is not the record holder of their shares) must obtain a proxy from the beneficial owner's brokerage firm, bank, or the stockholder of record holding such shares for the beneficial owner, and present it to the Inspector of Elections with a ballot. Voting in person by a stockholder will replace any previous votes of that stockholder submitted by proxy.
Changing Your Vote	Stockholders of record may change their votes by revoking their proxies. This may be done at any time before the polls close by (a) submitting a later-dated proxy by the Internet, telephone or mail, (b) submitting a vote in person at the Annual Meeting, or (c) delivering voting instructions to our Corporate Secretary before the Annual Meeting (to the attention of George M. Schisler, Jr., Office of the Secretary, Lam Research Corporation, 4650 Cushing Parkway, Fremont, California 94538). If a beneficial owner holds shares through a bank or brokerage firm, or another stockholder of record, the beneficial owner must contact the stockholder of record in order to revoke any prior voting instructions.

Voting Instructions	If a stockholder completes and submits proxy voting instructions, the persons named on the proxy card as proxy holders (the "Proxy Holders") will follow the stockholder's instructions. If a stockholder submits proxy voting instructions but does not include voting instructions for each item, the Proxy Holders will vote as the Board recommends on each item for which the stockholder did not include an instruction. The Proxy Holders will vote on any other matters properly presented at the Annual Meeting in accordance with their best judgment.
Voting Results	We will announce preliminary results at the Annual Meeting. We will report final voting results at *http://investor.lamrc.com* and in a Form 8-K to be filed shortly after the Annual Meeting.
Availability of Proxy Materials	We mailed this Proxy Statement and the accompanying proxy card and 2010 Annual Report to stockholders entitled to vote at the Annual Meeting beginning on October 4, 2010. These materials are also available on our website at *http://investor.lamrc.com* and at *www.proxyvote.com*. We will furnish, without charge, a physical copy of these materials and our 2010 Annual Report (including exhibits) on request by phone (510-572-1615), by mail (to Investor Relations, 4650 Cushing Parkway, Fremont, California 94538), or by email (to investor.relations@lamresearch.com).
Proxy Solicitation Costs	The Company will bear the cost of all proxy solicitation activities. Our directors, officers and other employees may solicit proxies personally or by telephone, e-mail or other communication means, without any cost to Lam Research. We are required to request that brokers and nominees who hold stock in their names furnish our proxy materials to the beneficial owners of the stock, and we must reimburse these brokers and nominees for the expenses of doing so in accordance with statutory fee schedules.

OTHER MEETING INFORMATION

Voting on Proposals

Each share is entitled to one vote on Proposals No. 2 and No. 3. Votes may be cast “for,” “against” or “abstain” on each of those proposals.

Pursuant to Proposal No. 1, Board members will be elected at the Annual Meeting to fill seven seats on the Board under a “majority vote” standard. The majority voting standard means that, even though there are only seven nominees for the seven Board seats, a nominee will be elected only if he or she receives an affirmative “for” vote from stockholders owning, as of the Record Date, at least a majority of the shares present and voted at the meeting in such nominee’s election by proxy or in person. Each stockholder may cast one vote (“for” or “withhold”), per share held, for each of the seven nominees. Stockholders may not cumulate votes in the election of directors.

If a stockholder votes by means of the proxy solicited by this Proxy Statement and does not instruct the Proxy Holders how to vote, the Proxy Holders will vote in favor of all individuals nominated by the Board.

Voting by 401(k) Plan Participants

Each employee participant in Lam’s 401(k) Savings Plus Plan (the “401(k) Plan”) who held unitized interests in the Company’s common stock in his or her personal 401(k) Plan account as of the Record Date will receive this Proxy Statement so that each participant may vote, by proxy, his or her interest in the Company’s common stock as held by the 401(k) Plan. The 401(k) Plan trustee, or the Company’s Savings Plus Plan, Lam Research 401(k) Committee as the 401(k) Plan administrator, will aggregate and vote proxies in accordance with the instructions in the proxies of employee participants that they receive.

Stockholder Accounts Sharing the Same Last Name and Address

To reduce the expense of delivering duplicate proxy materials to stockholders who may have more than one account holding Lam Research stock but who share the same address, we have adopted a procedure approved by the Securities and Exchange Commission (the “SEC”) called “householding.” Under this procedure, stockholders of record who have the same address and last name will receive only one copy of our Proxy Statement and Annual Report unless one of the stockholders notifies our Investor Relations Department that they want to receive separate copies. This procedure reduces duplicate mailings and therefore saves printing and mailing costs, as well as natural resources. Stockholders who participate in householding will continue to have access to all proxy materials at *http://investor.lamrc.com*, as well as the ability to submit separate proxy voting instructions for each account through the Internet or by phone.

Stockholders may request separate copies of the proxy materials for multiple accounts holding Lam Research stock by contacting the Company by phone (510-572-1615), by mail (to Investor Relations, 4650 Cushing Parkway, Fremont, California 94538) or by email (to investor.relations@lamresearch.com). Stockholders may also request consolidation of proxy materials mailed to multiple accounts at the same address.

Stockholder-Initiated Proposals and Nominations for 2011 Annual Meeting

Proposals Submitted under SEC Rules. Stockholder-initiated proposals (other than director nominations) may be eligible for inclusion in our Proxy Statement for next year’s 2011 Annual Meeting (in accordance with SEC Rule 14a-8) and for consideration at the Annual Meeting. The Company must receive a stockholder proposal no later than June 6, 2011 for the proposal to be eligible for inclusion. Further, on August 25, 2010 the SEC adopted its new “proxy access” rule (SEC Rule 14a-11); this rule is expected to be effective prior to our next annual meeting, and if so will permit inclusion in our proxy statement of nominees for director that meet all of the requirements of the new rule (including, without limitation, stockholding requirements and receipt of any such nomination not earlier than May 7, 2011 and not later than June 6, 2011). Any stockholder interested in submitting a proposal or nomination is advised to contact legal counsel familiar with the detailed securities law requirements for submitting proposals or nominations for inclusion in a company’s proxy statement.

Proposals and Nominations under Company Bylaws. Stockholders may also submit proposals for consideration, and nominations of director candidates for election, at the Annual Meeting by following certain requirements set forth in our Bylaws. The current applicable provisions of our Bylaws are described below. Proposals will not be eligible for inclusion in the Company's Proxy Statement unless they are submitted in compliance with then applicable SEC rules as referenced above; however, they will be presented for discussion at the Annual Meeting if the requirements established by our Bylaws for stockholder proposals and nominations have been satisfied. Our Bylaws establish requirements for these stockholder proposals and nominations. Assuming that the 2011 Annual Meeting takes place at roughly the same date next year as the 2010 Annual Meeting (and subject to any change in our Bylaws—which would be publicly disclosed by the Company—and to any provisions of then applicable SEC rules), the principal requirements for the 2011 Annual Meeting would be as follows:

For *proposals* and for *nominations*:

- A stockholder of record ("the Stockholder") must submit the proposal or nomination in writing; it must be received by the Secretary of the Company no earlier than July 21, 2011, and no later than August 22, 2011;
- The Stockholder's notice to the Secretary of a proposal or nomination must state for each of the Stockholder and the beneficial owner of Company common stock, if any, on behalf of whom the proposal or nomination is being made (a "Beneficial Owner"):
  - the name and record address of the Stockholder and the Beneficial Owner;
  - the class, series and number of shares of capital stock of the Company that are owned beneficially or of record by the Stockholder and the Beneficial Owner;
  - a description of any options, warrants, convertible securities, or similar rights held by the Stockholder or the Beneficial Owner with respect to the Company's stock, and any other opportunities by the Stockholder or the Beneficial Owner to profit or share in any profit derived from any increase or decrease in the value of shares of the Company, including through a general or limited partnership or ownership interest in a general partner;
  - a description of any proxies, contracts, or other voting arrangements to which the Stockholder or the Beneficial Owner is a party concerning the Company's stock;
  - a description of any short interest held by the Stockholder or the Beneficial Owner in the Company's stock;
  - a description of any rights to dividends separated or separable from the underlying shares of the Company to which the Stockholder or the Beneficial Owner are entitled;
  - any other information relating to the Stockholder or the Beneficial Owner that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations pursuant thereto; and
  - a statement whether or not the Stockholder or the Beneficial Owner will deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of voting power of all of the shares of capital stock of the Company required under applicable law to carry the proposal or, in the case of a nomination or nominations, at least the percentage of voting power of all of the shares of capital stock of the Company reasonably believed by the Stockholder or the Beneficial Owner, as the case may be, to be sufficient to elect the nominee or nominees proposed to be nominated by the Stockholder or Beneficial Owner under a majority voting standard.

Additionally, for *nominations*, the notice must:

- Set forth, as to each person whom the Stockholder proposes to nominate for election or reelection as a director, all information relating to such person as would be required to be disclosed in solicitations of proxies for the election of such nominees as directors pursuant to Regulation 14A under the Exchange Act; and
- Be accompanied by a written consent of each proposed nominee to be named as a nominee and to serve as a director if elected.

Additionally, for *proposals*, the notice must set forth a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such Stockholder and the Beneficial Owner, if any, on whose behalf the proposal is made.

For a full description of the requirements for submitting a proposal or nomination, see the Company's Bylaws. Submissions or questions should be sent to: George M. Schisler, Jr., Office of the Secretary, Lam Research Corporation, 4650 Cushing Parkway, Fremont, California 94538.

PROPOSAL NO. 1
ELECTION OF DIRECTORS

NOMINEES FOR DIRECTOR

A board of seven directors is to be elected at the 2010 Annual Meeting, consistent with resolutions adopted by the Board establishing the size of the Board as seven members. In general, the seven nominees who receive the highest number of "for" votes will be elected. However, any nominee who fails to receive affirmative approval from holders of a majority of the votes cast in such nominee's election at the Annual Meeting, either by proxy or in person, will not be elected to the Board, even if he or she is among the top seven nominees in total "for" votes. This requirement reflects the majority vote provisions implemented by the Company in November 2009. The term of office of each person elected as a director will be for the ensuing year, and until his or her successor is elected and qualified.

Unless otherwise instructed, the Proxy Holders will vote the proxies received by them for the seven nominees named below, each of whom is currently a director of the Company. The proxies cannot be voted for more than seven nominees. If any nominee of the Company should decline or be unable to serve as a director as of the time of the Annual Meeting, the proxies will be voted for any substitute nominee designated by the present Board of Directors to fill the vacancy. The Company is not aware of any nominee who will be unable, or will decline, to serve as a director.

The individuals in the table below who are shown as nominees for re-election have been nominated for election to the Board of Directors in accordance with the criteria and procedures discussed below in *"Corporate Governance."*

THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE "FOR" EACH OF THE NOMINEES FOR DIRECTOR SET FORTH BELOW.

The following table sets forth certain information concerning the nominees to the Board, and their qualifications to serve:

Board Member Name and Current Board Role(s)	Principal Occupation and Business Experience During Past Five Years
James W. Bagley, age 71 *Nominee for re-election* Executive Chairman	Mr. Bagley is the Executive Chairman of the Board of Directors, a position he has held since 2005. He served as Chairman from 1998 to 2005. From 1997 until 2005, Mr. Bagley also served as Lam's Chief Executive Officer. Mr. Bagley joined Lam's Board following the 1997 merger of Lam Research and OnTrak Systems, Inc., a supplier of silicon chip cleaning equipment where Mr. Bagley served as Chairman and Chief Executive Officer prior to the merger. He was formerly Chief Operating Officer and Vice Chairman of the Board of Applied Materials, Inc., where he also served in other executive positions during his 15-year tenure. Mr. Bagley serves on the boards of directors of Micron Technology, Inc. and Teradyne Inc., both of which are publicly traded companies. He holds M.S. and B.S. degrees in electrical engineering from Mississippi State University. The Board has concluded that Mr. Bagley is qualified to serve as a director of the Company because of his deep industry knowledge including his experience as Chairman and Chief Executive Officer, as Executive Chairman, and as a director of the Company, his extensive executive management experience, and his broad experience on other boards, including service on Audit, Compensation and Nominating and Governance committees and as a lead independent director.

Board Member Name and Current Board Role(s)	Principal Occupation and Business Experience During Past Five Years
David G. Arscott, age 66 *Nominee for re-election* Audit Committee member	Mr. Arscott has been a director of the Company since 1980, and was Chairman of the Board of Directors from 1982 to 1984. In 1988, Mr. Arscott co-founded Compass Technology Group, an investment management firm, where he has been General Partner since 1988. Prior to that, Mr. Arscott co-founded Arscott, Norton & Associates, a venture capital firm, where he served as Managing General Partner. Mr. Arscott serves on the boards of directors of Dragnet Solutions, Inc., Percutaneous Systems, Inc., and Toolwire, Inc., each of which is a privately held company. He earned his B.A. degree from the College of Wooster in Wooster, Ohio and his M.B.A. from the University of Michigan. The Board has concluded that Mr. Arscott is qualified to serve as a director of the Company because of his service on the Board, his industry and technology expertise and his global economic expertise.
Robert M. Berdahl, age 73 *Nominee for re-election* Lead independent director Compensation Committee member Nominating and Governance Committee Chair	Dr. Berdahl has been a director of the Company since 2001. He has been the President of the Association of American Universities since 2006. From 1997 to 2004, Dr. Berdahl served as Chancellor of the University of California, Berkeley ("UC Berkeley"). From 2004 to 2006, he was a history professor at UC Berkeley and a professor of public policy at UC Berkeley's Goldman School of Public Policy. Prior to serving as Chancellor at UC Berkeley, Dr. Berdahl held several academic leadership positions, including President of the University of Texas at Austin and Vice Chancellor of Academic Affairs at the University of Illinois at Urbana-Champaign. Dr. Berdahl has received numerous honors and awards, including a Fulbright Research Fellowship, and election to the American Academy of Arts and Sciences. He received his B.A. from Augustana College in Sioux Falls, South Dakota, his M.A. from the University of Illinois, and his Ph.D. from the University of Minnesota. The Board has concluded that Dr. Berdahl is qualified to serve as a director of the Company because of his prior service on the Board, the strong leadership skills he brought to bear as Chancellor at UC Berkeley and other leadership positions at large, complex organizations, his ability to contribute to the diversity of perspectives on the Board, due to his background as an academic and service as President of the Association of American Universities, his crisis management experience, and his global economic expertise.

Board Member Name and Current Board Role(s)	**Principal Occupation and Business Experience During Past Five Years**
Eric K. Brandt, age 48 *Nominee for re-election* Board Member Appointed to Audit Committee, effective October 11, 2010	Mr. Brandt was elected to the Company's board on September 10, 2010. Mr. Brandt serves as Executive Vice President and Chief Financial Officer of Broadcom Corporation, a role in which he has served since joining Broadcom in March 2007. Previously, from September 2005 to March 2007, Mr. Brandt served as President and Chief Executive Officer of Avanir Pharmaceuticals. Prior to Avanir, Mr. Brandt was Executive Vice President-Finance and Technical Operations and Chief Financial Officer of Allergan Inc., where he also held a number of other senior positions following his arrival there in 1999. Previously, Mr. Brandt spent ten years with The Boston Consulting Group, a privately-held global business consulting firm, most recently serving as Vice President and Partner. Mr. Brandt serves as a member of the board of directors and a member of the compensation committee of Dentsply International, Inc., a public company. He previously served as a member of the boards of directors of Avanir and of Vertex Pharmaceuticals, Inc., where he was chair of the audit committee. Mr. Brandt received a B.S. in Chemical Engineering from the Massachusetts Institute of Technology and an M.B.A. from Harvard Business School. The Board has concluded that Mr. Brandt is qualified to serve as a director of the Company because of his financial expertise including service as an active chief financial officer of a publicly traded company, his experience in the semiconductor industry, and his service on other boards of directors.
Grant M. Inman, age 68 *Nominee for re-election* Compensation Committee Chair Nominating and Governance Committee member	Mr. Inman has been a director of the Company since 1981. He is currently General Partner of Inman Investment Management, a venture investment firm that he founded in 1998. He also co-founded and served as general partner of Inman & Bowman, a venture capital firm formed in 1985. Mr. Inman was a general partner of the investment banking firm Hambrecht & Quist from 1980 to 1985.Mr. Inman has served on the board of directors of Paychex, Inc., a publicly traded company, since 1983. In addition, he serves on the board of directors of AlphaCard Systems, a privately held company. He holds a B.A. degree in economics from the University of Oregon and an M.B.A. from the University of California, Berkeley. Mr. Inman now serves as a Trustee of the UC Berkeley Foundation. Mr. Inman previously served as a director of Wind River Systems Inc. The Board has concluded that Mr. Inman is qualified to serve as a director of the Company because of his 30-year tenure as a director of the Company, his industry knowledge, his extensive experience on other boards (including as chairman of Audit, Compensation and Nominating and Governance committees), and the entrepreneurial perspective he brings from his venture investment experience.

Board Member Name and Current Board Role(s)	Principal Occupation and Business Experience During Past Five Years
Catherine P. Lego, age 54 *Nominee for re-election* Audit Committee Chair	Ms. Lego has been a director of the Company since 2006. From 1999 to 2009, she was the General Partner of The Photonics Fund, LLP, a venture capital investment firm that she founded. Prior to forming The Photonics Fund, she founded Lego Ventures LLC in 1992 to provide consulting services to early stage electronics companies. Ms. Lego currently serves on the board of directors, and chairs the audit committee, of SanDisk Corporation, a publicly traded company. She received a B.A. from Williams College and an M.S. in Accounting from the New York University Graduate School of Business. Ms. Lego received her CPA in connection with her work at Coopers & Lybrand earlier in her career. The Board has concluded that Ms. Lego is qualified to serve as a director of the Company because of her prior service on the Board, her substantial accounting and financial expertise, her knowledge of the electronics industry and the perspective of companies that purchase semiconductors from our customers, and experience on other boards, including her current service as chairman of the audit committee of SanDisk.
Stephen G. Newberry, age 56 *Nominee for re-election* Board member	Mr. Newberry has been a director of the Company since 2005. He also serves as the Company's President and Chief Executive Officer. Mr. Newberry joined the Company in August 1997 as Executive Vice President and Chief Operating Officer. He was appointed President and Chief Operating Officer in July 1998, and President and Chief Executive Officer in June 2005. Prior to joining the Company, Mr. Newberry held various executive positions at Applied Materials, Inc. during his 17-year tenure there. Mr. Newberry serves on the boards of directors of Amkor Technology, Inc., a publicly traded company, and of SEMI, a global semiconductor industry trade association. Mr. Newberry previously served as a director of Nextest Systems Corporation from October 2000 to January 2008. Mr. Newberry is a graduate of the U.S. Naval Academy and the Harvard Graduate School of Business. The Board has concluded that Mr. Newberry is qualified to serve as a director of the Company because of his 30 years' experience in the semiconductor equipment industry, his comprehensive understanding of the Company and its products, markets, and strategies gained through his role as our President and Chief Executive Officer, his active role in the semiconductor industry's trade association, and his strong leadership and operations expertise.

In addition to the biographical information above regarding each director's specific experience, attributes, positions and qualifications, we believe that each of our directors serving during fiscal 2010 has performed his or her duties with critical attributes such as honesty, integrity, wisdom, and an adherence to high ethical standards. Each nominee has demonstrated strong business acumen, an ability to make independent analytical inquiries, an ability to understand the Company's business environment, and an ability to exercise sound judgment, as well as a commitment to the Company and its core values.

SECURITY OWNERSHIP
OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth the beneficial ownership of shares of Lam's Common Stock by: (i) each person or entity who the Company believes beneficially owned more than 5% of Lam's common stock on the date set forth below; (ii) each current director of the Company; (iii) each named executive officer identified below in the "*Executive Compensation*" section; and (iv) all current directors and current executive officers as a group. With the exception of 5% owners, the information below reflects holdings as of September 17, 2010, unless otherwise noted, which is the most recent practicable date for such determination. For 5% owners, holdings are as of June 30, 2010, which is the more practicable date for determining their holdings. The percentage of the class owned is calculated using 122,876,056 as the number of shares of Lam's Common Stock outstanding on that date.

Name of Person or Identity of Group	Shares Beneficially Owned (1) (2)	Percentage of Class
5% Stockholders		
FMR LLC 82 Devonshire Boston, MA 02109	18,929,920	15.4%
Turner Investment Partners 1205 Westlakes Drive, Suite 100 Berwyn PA 19312	7,773,204	6.3%
Directors		
James W. Bagley	182,000	*
David G. Arscott	94,983	*
Robert M. Berdahl	44,948	*
Eric K. Brandt[(3)]	0	*
Richard J. Elkus, Jr.	81,618	*
Grant M. Inman	106,248	*
Catherine P. Lego	22,248	*
Stephen G. Newberry (also a Named Executive Officer)	10,650	*
Named Executive Officers		
Ernest E. Maddock	4,869	*
Martin B. Anstice	17,917	*
Richard A. Gottscho	8,771	*
Jeffrey Marks	9,402	*
Abdi Hariri	5,013	*
All current directors and executive officers as a group (15 people)	623,215	*

* Less than 1%.

(1) Includes shares subject to outstanding stock options that are now exercisable or will become exercisable within 60 days after September 17, 2010, as follows:

David G. Arscott	39,000 options	Martin B. Anstice	2,849 options
Robert M. Berdahl	27,000 options	Ernest E. Maddock	3,050 options
Richard J. Elkus, Jr.	27,000 options	All directors and current executive officers as a group (15)	132,199 options
Grant M. Inman	27,000 options		

(2) Information regarding beneficial ownership by the 5% stockholders is based on their most recent respective publicly filed Schedule 13D, 13F, or 13G prior to September 17, 2010.

(3) The total shares beneficially owned by Mr. Brandt are as of September 10, 2010, the date that he was appointed to the board.

CORPORATE GOVERNANCE

Our Board of Directors and members of management are committed to responsible corporate governance that will ensure that the Company is managed for the long-term benefit of its stockholders. To that end, the Board of Directors and management periodically review and update, as appropriate, the Company's corporate governance policies and practices. As part of that process, the Board and management review published guidelines and recommendations of institutional shareholder organizations; published guidelines of a selection of other public companies; the requirements of the Sarbanes-Oxley Act of 2002 and other rules and regulations of the SEC; and the listing standards for the NASDAQ Global Select Market ("NASDAQ").

Corporate Governance Policies

We have instituted a variety of policies and procedures to foster and maintain responsible corporate governance, including the following:

Board Committee Charters. Each of the Board's standing committees — Audit, Compensation and Nominating and Governance Committees — has a written charter adopted by the Board that establishes practices and procedures for the committee in accordance with applicable corporate governance rules and regulations. Each committee reviews its charter annually and recommends changes to the Board, as appropriate. Each Committee Charter is available on the investors' page of Lam's web site at *http://investor.lamrc.com*. Please also refer to *"Board Meetings and Committees,"* below, for a description of responsibilities of the Board's standing committees.

Corporate Governance Guidelines. We adhere to written Corporate Governance Guidelines, adopted by the Board and reviewed annually by the Nominating and Governance Committee and the Board. Selected provisions of the Guidelines are discussed below, including in the *"Board Nomination Policies and Procedures," "Director Independence Policies"* and *"Other Governance Practices"* sections below.

Corporate Code of Ethics. We maintain a Code of Ethics that applies to all employees, officers, and members of the Board. The Code of Ethics establishes standards reasonably necessary to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; and full, fair, accurate, timely, and understandable disclosure in the periodic reports we file with the SEC and in other public communications. We will promptly disclose to the public any amendments to, or waivers from, any provision of the Code of Ethics, to the extent required by applicable laws. We intend to make this public disclosure by posting the relevant material on our website, to the extent permitted by applicable laws. A copy of the Code of Ethics is available on the investors' page of Lam's web site at *http://investor.lamrc.com*.

Global Standards of Business Conduct Policy. Lam Research maintains written standards of appropriate business conduct in a variety of business situations that apply to employees worldwide.

Insider Trading Policy. Our Insider Trading Policy restricts the trading of Company stock by Lam Research directors, officers, and employees, and includes provisions addressing insider blackout periods, margin accounts and hedging transactions.

Board Nomination Policies and Procedures

Board Membership Criteria. Under our Corporate Governance Guidelines, the Nominating and Governance Committee is responsible for assessing the appropriate balance of experience, skills and characteristics required for the Board and for recommending director nominees to the independent directors. The Guidelines direct the Committee to consider all factors it considers appropriate. The Committee need not consider all of the same factors for every candidate. Factors considered may include, among other things: diversity with respect to any attribute(s) the Board considers desirable; experience; business acumen; wisdom; integrity; judgment; the ability to make independent analytical inquiries; the ability to understand the Company's business environment; the candidate's willingness and ability to devote adequate time to Board duties; specific skills, background or experience considered necessary or desirable for Board or committee service; specific experiences with other businesses or organizations that may be relevant to the Company or its industry; and the interplay of a candidate's experiences and skills with the experiences and skills of other Board members.

Prior to nominating an incumbent non-employee director for re-election to the Board, the Committee reviews the experiences, skills and qualifications of the director to assess the continuing relevance of the director's experiences, skills and qualifications to those considered necessary or desirable for the Board at that time.

Board members may not serve on more than four boards of public companies (including Lam's Board), and Board nominees must be under the age of 75 years when nominated.

Nomination Procedure. The Nominating and Governance Committee identifies, evaluates and recommends qualified candidates for election to the Board. The Committee considers recommendations from a variety of sources, including search firms, Board members, executive officers and stockholders. Formal nominations are made by the independent members of the Board.

The following provisions of our Bylaws currently apply to the nomination or recommendation of candidates by a stockholder:

- In the case of an annual meeting, the stockholder is required to provide advance notice of the nomination, generally between 75 and 45 days prior to the anniversary of the mailing of the previous year's proxy statement;
- In the case of a special meeting, the stockholder is required to provide advance notice of the nomination by the later of 90 days prior to the special meeting and the tenth day following the announcement of the date of the special meeting; and
- A stockholder is required to provide additional disclosure regarding, among other things, derivative instruments and short positions in the Company's stock held by the stockholder.

Additional information regarding the nomination procedure is provided in the section above captioned "*Stockholder-Initiated Proposals and Nominations for 2011 Annual Meeting* ."

Director Independence Policies

Board Independence Requirements. Our Corporate Governance Guidelines require that at least a majority of the Board members be independent in accordance with NASDAQ rules. No director will qualify as "independent" unless the Board affirmatively determines that the director has no relationship that would interfere with the exercise of independent judgment as a director. In addition, no non-employee director may serve as a consultant or service provider to the Company without the approval of a majority of the independent directors, and no more than two management executives may serve on the Board at the same time.

Board Member Independence. The Board has determined that all directors, other than Mr. Bagley and Mr. Newberry, are independent in accordance with NASDAQ criteria for director independence.

Board Committee Independence. All members of the Board's three standing committees — Audit, Compensation, and Nominating and Governance Committees — must be independent in accordance with applicable NASDAQ criteria as well as, in the case of the Compensation Committee, applicable rules under Section 162(m). See "*Board Meetings and Committees*" below for a description of the responsibilities of the Board's standing committees.

Lead Independent Director. Our Corporate Governance Guidelines authorize the Board to designate a Lead Independent Director from among the independent Board members. The Lead Independent Director is responsible for coordinating the activities of the independent members of the Board, consulting with the Executive Chairman regarding matters such as schedules of and agendas for Board meetings and the retention of consultants reporting to the Board, and developing the agenda for and moderating executive sessions of the Board's independent directors. Director Robert Berdahl has served as the Lead Independent Director since 2004.

Executive Sessions of Independent Directors. The Board and its standing committees hold meetings of the independent directors and Committee members, without management present, at the discretion of the Board or committee, as applicable.

Board Access to Independent Advisors. The Board as a whole, and each of the Board committees separately, may retain, at Lam's expense, and terminate, in their discretion, any independent consultants, counselors, or advisors as they deem necessary or appropriate.

Leadership Structure of the Board

The current leadership structure of the Board consists of an Executive Chairman and a Lead Independent Director. The Executive Chairman is a former executive officer of the Company. Our Chief Executive Officer also serves on the Board. All directors other than Messrs. Bagley and Newberry are independent board members under applicable legal and regulatory requirements.

The Company believes that having both an Executive Chairman and a Lead Independent Director is the appropriate leadership structure for the Board at this time. The Company is fortunate to have a former Chief Executive Officer of the Company to serve as its Executive Chairman, as he can bring to bear his management experience in leading the Board in its oversight role. At the same time, the Company and its stockholders benefit from having a Lead Independent Director to provide independent Board leadership, and from having the Company's President and Chief Executive Officer on the Board to provide detailed and in-depth knowledge of the issues, opportunities and challenges facing the Company and to bring his perspective to bear in Board discussions and decisions.

Other Governance Practices

In addition to the principal policies and procedures described above, we have established a variety of other practices to enhance our corporate governance, including the following.

Board and Committee Assessments. At least bi-annually, the Board conducts a review of the functioning of the Board and its standing committees.

Director Resignation or Notification of Change in Executive Officer Status. Under our Corporate Governance Guidelines, any Lam Research director who is also an executive officer of the Company must offer to submit his or her resignation as a director to the Board if the director ceases to be an executive officer of Lam Research. The Board may accept or decline the offer, in its discretion. The Corporate Governance Guidelines also require a non-employee director to notify the Nominating and Governance Committee if the director changes his or her executive position at another company. The Nominating and Governance Committee will review the appropriateness of the director's continued Board membership under the circumstances, and the director will be expected to act in accordance with the Nominating and Governance Committee's recommendations.

Director and Executive Stock Ownership. Under the Corporate Governance Guidelines, each director is expected to own at least 5,000 shares of Lam Research common stock by the later of the fifth anniversary of his or her initial election to the Board or December 31, 2010. We also have guidelines for stock ownership by other members of the executive management team, including the Chief Executive Officer, the Chief Financial Officer, and other officers designated by the Compensation Committee. These executives are expected to own a number of shares of Lam Research common stock equal in value to a multiple of each executive's base annual salary or a specified minimum number of shares, whichever is lower. The salary multiple or specific number of shares varies according to the seniority of the office. In recognition of the limitations of our stock ownership guideline structure in a cyclical business, the guidelines are expressed as the lesser of a dollar amount or a share amount, to allow for changes in the trading price of Lam's stock. Each designated executive is expected to acquire and maintain ownership of shares of our common stock, in the quantities indicated below, by the later of December 31, 2011, or the fifth anniversary of the executive officer's hire or promotion date:

Position	Stock Ownership Guideline
Chief Executive Officer	Lesser of three times base salary, or 65,000 shares
Chief Operating Officer; Chief Financial Officer	Lesser of two times base salary, or 25,000 shares
Group Vice Presidents	Lesser of two times base salary, or 20,000 shares
Other designated executives	Lesser of one times base salary, or 10,000 shares

Insider Trading Restrictions. Our Global Standards of Business Conduct Policy prohibits employees from engaging in "short sales" of Lam Research securities or from purchasing "put" or "call" options for Lam Research securities (other than through our equity incentive plans or employee stock purchase plans). These measures help to ensure that our employees and Board members will not benefit from a decline in Lam's stock price, but will remain focused on our business success.

Communications with Board Members. Any stockholder who wishes to communicate directly with the Board of Directors, any Board Committee or with any individual director regarding the Company may write to the Board or the director c/o George M. Schisler, Jr., Office of the Secretary, Lam Research Corporation, 4650 Cushing Parkway, Fremont, CA 94538. The Office of the Secretary will forward all such communications to the appropriate director(s).

Any stockholder, employee, or other person may communicate any complaint regarding any accounting, internal accounting control, or audit matter to the attention of the Board's Audit Committee by sending written correspondence to: Lam Research Corporation, Attention: Board Audit Committee, P.O. Box 5010, Fremont, CA 94536. The Audit Committee has established procedures to ensure that employee complaints or concerns regarding audit or accounting matters will be received and treated anonymously (if the complaint or concern is submitted anonymously) and confidentially.

We expect our directors to attend the annual meeting of stockholders each year and to respond to appropriate questions. All our directors nominated for re-election in 2009 attended the 2009 annual meeting.

Board Meetings and Committees

Meeting Attendance. Our Board of Directors held a total of six meetings during fiscal 2010. All of the directors who served for the entire fiscal year attended at least 75% of the aggregate number of Board meetings that they were entitled to attend and meetings of Board committees on which they served during fiscal 2010. Patricia Wolpert, who passed away during the fiscal year, attended fewer than 75% of the Board and Compensation Committee meetings held during her tenure. The Board of Directors has as standing committees an Audit Committee, a Compensation Committee, and a Nominating and Governance Committee.

Audit Committee. The purpose of the Audit Committee is to oversee Lam's accounting and financial reporting processes and the audits of our financial statements. The Audit Committee is not, however, responsible for planning or conducting our audits, or determining whether our financial statements are complete and accurate or prepared in accordance with generally accepted accounting principles.

During fiscal 2010, the Audit Committee consisted of Board members Arscott, Elkus and Lego, each of whom served for the entire fiscal year, and former Board member Seiichi Watanabe, who served for a portion of the fiscal year. The Audit Committee held fifteen meetings during fiscal 2010. The Board concluded that all Audit Committee members are non-employee directors who are independent in accordance with the NASDAQ criteria for audit committee member independence. The Board also determined that Ms. Lego, the chair of the committee during fiscal 2010, is a "financial expert" as defined in SEC rules.

The Audit Committee's responsibilities include (but are not limited to) the following:

- Appoint and provide for the compensation for Lam's independent registered public accounting firm (the "Accounting Firm"), and approve, in accordance with and in a manner consistent with the laws, rules and regulations applicable to the Company, all professional services to be provided to Lam Research by the Accounting Firm
- Oversee the work of, and evaluate the performance of, the Accounting Firm
- Meet with management and the Accounting Firm to discuss the annual financial statements and the Accounting Firm's report on them, and to discuss the adequacy of internal control over financial reporting
- Meet quarterly with management and the Accounting Firm to discuss the quarterly financial statements prior to the filing of the Company's Form 10-Q with the SEC

- At least annually, review and reassess the Internal Audit Charter and, if appropriate, recommend proposed changes
- Review the scope, results and analysis of internal audits (if any)
- Review and approve all related-party transactions
- Establish a procedure for receipt, retention and treatment of any complaints received by the Company about its accounting, internal accounting controls or auditing matters, and for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters

Compensation Committee. The purpose of the Compensation Committee is to discharge certain responsibilities of the Board relating to executive compensation, to oversee incentive, equity-based and other compensatory plans in which Lam's executive officers and directors participate and to produce an annual report on executive compensation for inclusion as required in the Company's Proxy Statement.

During fiscal 2010, the Compensation Committee consisted of Board members Berdahl and Inman, each of whom served for the entire fiscal year, former Board member Jack Harris, who served until his retirement from the Board in November 2009, and former Board member Patricia Wolpert, who served until passing away during fiscal year 2010. The Board concluded that all members of the Compensation Committee are non-employee directors who are independent in accordance with the NASDAQ criteria for director independence. The Compensation Committee held eight meetings during fiscal 2010.

The Compensation Committee's responsibilities include (but are not limited to) the following:

- Develop, and from time to time review, compensation policies and practices applicable to Lam's executive officers, including the criteria upon which executive compensation is based and the composition of executive compensation in terms of base salary, deferred compensation, incentive- or equity-based compensation and other benefits
- Establish and review corporate goals and objectives as relevant to the Chief Executive Officer (the "CEO") and the Executive Chairman, evaluate their performance in light of these goals and objectives and based on this evaluation recommend the CEO's and Executive Chairman's compensation packages for approval by the independent members of the Board
- Determine compensation packages for other executive officers consistent with policies approved by the independent members of the Board
- Review and recommend to the Board for final approval all cash, equity-based or other compensation arrangements applicable to the independent members of the Board
- Review and approve, subject to stockholder or Board approval as required, the creation or amendment of any equity-based compensatory plans and other compensatory plans as the Board designates
- Oversee management's determination as to whether the Company's compensation policies and practices create risks that are reasonably likely to have a material adverse effect on the Company

Nominating and Governance Committee. The purpose of the Nominating and Governance Committee is to identify individuals qualified to serve as members of the Board of the Company, recommend nominees for election as directors of the Company, evaluate the Board's performance, develop and recommend to the Board corporate governance guidelines, and provide oversight with respect to corporate governance and ethical conduct.

During fiscal 2010, the Nominating and Governance Committee consisted of Board members Berdahl, Elkus, and Inman. The Board concluded that all Nominating and Governance Committee members are non-employee directors who are independent in accordance with the NASDAQ criteria for director independence. The Nominating and Governance Committee held five meetings during fiscal 2010.

The Nominating and Governance Committee's responsibilities include (but are not limited to) the following:

- Make recommendations to the independent members of the Board of nominees for election as directors of the Company at the next annual or special meeting of stockholders at which directors are to be elected, and identify, evaluate and recommend individuals to fill any vacancies or newly created directorships that may occur between meetings
- Make recommendations to the Board annually after consultation with the Chairman of the Board and the Lead Independent Director, if any, with respect to assignment of Board members to committees and for committee chairs
- Recommend to the Board the adoption of corporate governance guidelines, and from time to time review and assess the guidelines and recommend changes for approval by the Board
- Conduct from time to time a review of the Board and the Board committees in accordance with the Company's Corporate Governance Guidelines and the committee charters, and report the evaluation to the Board

The Nominating and Governance Committee recommended the slate of nominees for director set forth in Proposal No. 1. The independent members of the Board approved the recommendations and nominated the proposed slate of nominees.

The Nominating and Governance Committee will consider for nomination persons properly nominated by stockholders in accordance with the Company's Bylaws and other procedures described above in the section captioned "*Stockholder-Initiated Proposals and Nominations for 2011 Annual Meeting.*" Subject to then-applicable law, stockholder nominations for director will be evaluated by Lam's Nominating and Governance Committee in accordance with the same criteria as are applied to candidates identified by the Nominating and Governance Committee or other sources.

Board's Role in Risk Oversight

The Board of Directors has oversight responsibility with respect to the Company's risk management activities. The Board has delegated oversight responsibility for certain areas of risk exposure to its standing committees.

The Audit Committee oversees risk management activities relating to the Company's accounting and financial reporting, internal controls, and the auditing of the Company's annual financial statements. The Audit Committee also oversees the Company's independent registered public accounting firm and the Company's internal audit function. The Audit Committee meets privately with the Company's independent registered public accounting firm at least quarterly.

The Compensation Committee oversees risk management activities relating to the design of equity, executive and board level compensation policies and plans. The Compensation Committee works with an independent compensation consultant and meets privately with that consultant as appropriate.

Assessment of Compensation Risk

Management conducted a compensation risk assessment in 2010 and concluded that the Company's current compensation programs are not reasonably likely to have a material adverse effect on the Company's business.

DIRECTOR COMPENSATION

Board members who are also employees do not receive any additional compensation for service on the Board. The compensation of our non-employee directors is reviewed and determined annually by the Board, upon recommendation from the Compensation Committee. Committee chairs and the lead independent director receive additional cash retainers. The Board endeavors to maintain forms and amounts of director compensation that will attract and retain directors of the caliber desired by the Company and that align director interests with those of stockholders.

Our director compensation plans run on a calendar-year basis. However, SEC rules require us to report compensation in this Proxy Statement on a fiscal-year basis. For calendar year 2010 (the first half of which was the second half of fiscal 2010), each of the Company's non-employee directors received an annual retainer of $42,000. An additional $12,500 fee was paid to the chair of the Compensation Committee and to the chair of the Audit Committee. A $12,500 fee was paid to the Lead Independent Director and chair of the Nominating and Governance Committee for his service in both of those roles. The rate of cash compensation for calendar year 2009 (the second half of which was the first half of fiscal 2010) was a $42,000 annual retainer, $10,000 for the Audit Committee Chair and $7,500 for the Compensation Committee and Nominating and Governance Committee chairs and for the Lead Independent Director.

Beginning in calendar year 2010, each new non-employee director is eligible to receive an initial equity grant in the form of restricted stock units ("RSUs"), upon the date of the first regularly scheduled board meeting attended by that director after first being appointed or elected to the Board, with a targeted grant date value equal to $250,000 (calculated as the fair market value of a share of the Company's common stock on the grant date, times the number of shares granted). The initial RSUs vest in four equal annual installments from the date of grant. Each non-employee director is also eligible to receive an annual equity grant in January of each year (or, if the designated date falls within a blackout window under applicable Company policies, on the first business day such grant is permissible under those policies) with a targeted grant date value equal to $160,000 (calculated as the fair market value of a share of the Company's common stock on the grant date, times the number of shares granted). Those grants generally vest on November 1 in the year of grant. All equity grants are subject to the terms and conditions of the Company's 2007 Stock Incentive Plan and the applicable grant award agreements.

Each non-employee director who was on the Board on February 1, 2010 received a grant of 4,750 RSUs for services during calendar year 2010. Each RSU grant was issued on February 1, 2010, and, generally subject to a director's continued service on the Board, vests in full on November 1, 2010, with receipt deferred until January 28, 2011.

The following table shows cash and equity compensation for fiscal 2010: [1]

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (2) (3)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($) (4)	Total
David G. Arscott	$42,000	$159,695	$0	$0	$0	$2,097	$203,792
Robert M. Berdahl	$55,750	$159,695	$0	$0	$0	$1,736	$217,181
Richard J. Elkus, Jr.	$42,000	$159,695	$0	$0	$0	$1,468	$203,163
Grant M. Inman	$52,000	$159,695	$0	$0	$0	$1,468	$213,163
Catherine P. Lego	$53,250	$159,695	$0	$0	$0	$1,032	$213,977
Jack R. Harris	$21,000	$ 0	$0	$0	$0	$8,780[5]	$ 29,780
Seiichi Watanabe	$21,000	$ 0	$0	$0	$0	$ 0	$ 21,000
Patricia S. Wolpert	$45,750	$159,695	$0	$0	$0	$ 0	$205,445

(1) Mr. Brandt was elected to the Company's board on September 10, 2010, which was after the close of fiscal 2010. Accordingly, he did not receive any compensation as a member of the Company's board during fiscal 2010.

(2) On February 1, 2010, each Director who was on the Board was granted 4,750 restricted stock units based on the closing price of the Company's Common Stock of $33.62, for a target value of $160,000. Other than the units granted to Ms. Wolpert, the units vest on November 1, 2010, with receipt deferred until January 28, 2011. The units granted to Ms. Wolpert vested upon her death.

(3) The amounts shown in this column represent the grant date fair value of unvested restricted stock unit awards granted during fiscal 2010 in accordance with Accounting Standards Codification 718, *Compensation — Stock Compensation* ("ASC 718"). However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The assumptions used to calculate the fair value of the restricted stock units in fiscal year 2010 are set forth in Note 11 in the Notes to Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2010.

(4) Represents the portion of dental reimbursement insurance premiums paid by the Company.

(5) Represents the portion of dental and retiree medical reimbursement insurance premiums paid by the Company.

In addition, members of the Board who have retired from the Board can participate in the Company's Executive Retirement Medical and Dental Plan if they meet certain eligibility requirements. The most recent valuation of the Company's accumulated post-retirement benefit obligation under Accounting Standards Codification 715, *Compensation-Retirement Benefits* ("ASC 715"), as of June 2010, for the current directors who may become eligible is shown below:

Name	Accumulated Post-Retirement Benefit Obligation, as of June 2010
David G. Arscott	$224,000
Robert M. Berdahl	$179,000
Richard J. Elkus, Jr.	$164,000
Grant M. Inman	$202,000
Catherine P. Lego	$196,000

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers, directors, and people who own more than 10% of a registered class of our equity securities to file an initial report of ownership (on a Form 3) and reports on subsequent changes in ownership (on Forms 4 or 5) with the SEC by specified due dates. Our executive officers, directors, and greater-than-10% stockholders are also required by SEC rules to furnish us with copies of all Section 16(a) forms they file. We are required to disclose in this Proxy Statement any failure to file any of these reports on a timely basis. Based solely on our review of the copies of the forms that we received from the filers, and on written representations from certain reporting persons, we believe that all of these requirements were satisfied during fiscal 2010, with the exception of one late filing of a Form 4 in October 2009 with respect to Sarah A. O'Dowd, covering one transaction.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

COMPENSATION DISCUSSION & ANALYSIS

Overview

This Compensation Discussion and Analysis (the "CD&A") describes the Company's executive compensation program and discusses how we made executive compensation decisions for our executive officers during fiscal 2010.

For fiscal 2010, our "named executive officers" (as defined in SEC rules) were:

- Stephen G. Newberry, our President and Chief Executive Officer;
- Martin B. Anstice, our Executive Vice President and Chief Operating Officer;
- Ernest E. Maddock, our Senior Vice President and Chief Financial Officer;
- Richard A. Gottscho, our Senior Vice President, Global Products;
- Jeffrey Marks, our Vice President and General Manager, Clean Business; and
- Abdi Hariri, our Group Vice President, Global Operations.

We refer to these individuals collectively in this CD&A as the "Named Executive Officers" or "NEOs." Mr. Hariri is included as an NEO because, while he was not an executive officer of the Company at the end of fiscal 2010, his compensation exceeded that of the next-lowest compensated NEO. We refer to calendar years as "CY", and fiscal years as "FY", throughout this CD&A.

The compensation tables included in this CD&A report the compensation of the Named Executive Officers for FY 2010. However, our executive compensation program is designed and evaluated on a calendar year basis rather than a fiscal year basis to correspond with our annual business planning, performance goal-setting, pay, and benefit cycles. Therefore, the discussion of our compensation programs and our compensation decisions reflects this calendar year orientation. Fiscal year information is included in compensation tables, as appropriate.

Our standard compensation program for NEOs includes six primary components: base salary, annual incentive awards, long-term incentive awards, participation in benefit programs, eligibility for certain post-termination employment benefits, and other equity awards as considered appropriate. Each of these compensation components is reviewed periodically by our Compensation Committee (the "Committee"). Compensation for NEOs other than Mr. Newberry is determined by the Committee. Mr. Newberry's compensation is recommended by the Committee to the independent members of the Board for approval.

We design and operate our executive compensation program to achieve specific objectives including: market competitiveness to attract, retain and motivate our executives; pay-for-performance; long-term effectiveness; and cost-effectiveness. These objectives are further described in the section entitled *"Compensation Objectives"* below. In the cyclical environment in which we operate, applying these objectives leads to changes in our programs from time to time. For example, prior to the economic downturn, the metrics used for our variable incentive programs focused primarily on operating income performance. In response to the downturn, we modified the metrics used in those programs to instead focus on on-going operating cash flow objectives in order to better position the Company for long-term success. As the business climate changes, we will continue to adjust our program to reward the management behaviors that will deliver the best results for our stockholders over the long-term. Throughout the business cycle, we believe that our compensation programs (1) reward management behaviors aligned with our compensation objectives and (2) promote retention of our executive officers.

The following bullet points highlight the key actions by the Committee related to the compensation of our NEOs in FY 2010. Each of these items is discussed in greater detail in the applicable section of this CD&A report.

- Base Salaries. There was a salary reduction in place during most of CY 2009. In light of the improving business environment and operating results, the Committee restored base salaries to February 2009 levels, effective December 28, 2009. Salaries were then reviewed and adjusted in February 2010, effective April 2010.
- Annual Incentive Program ("AIP").
  - Under the 2009 AIP, the maximum payout under our 2009 AIP was capped at 1.0 times the target opportunity, reduced from 2.25 in prior years, to reflect the challenging business environment at the time and to enable us to maintain our cash reserves while maximizing financial results for our stockholders. As a result of improving business results, for the CY 2010 AIP, the Committee restored the maximum payout to 2.25 times the target opportunity.
  - For the CY 2010 AIP, the performance metrics established under the program were changed, in certain cases from the CY 2009 AIP to reflect the improved business environment.
  - The Committee also modified the structure of the CY 2010 AIP. As modified, a maximum payout will be generated based on a corporate metric, and this maximum payout will be used to establish the maximum awards available for payouts under the program. The Committee may then apply negative discretion, to determine actual payouts to each executive based on corporate and individual performance achievement.
- Long-Term Incentive Program ("LTIP").
  - In CY 2010, the performance-based equity portion of the LTIP was awarded via performance-based RSUs rather than via stock options.
  - For CY 2010, the performance metrics established under the cash portions of the LTIP were changed from CY 2009 to reflect the improved business environment.

Governance of the Executive Compensation Program

Role of the Compensation Committee. The Committee discharges certain responsibilities of the Board relating to executive compensation and oversees the incentive, equity-based and other compensation plans in which our executive officers (including the NEOs) participate, pursuant to a charter that can be viewed at *http://investor.lamrc.com*. The Committee's key responsibilities with respect to executive compensation include the following:

- Develop, and from time to time review, compensation policies and practices applicable to our executive officers, including the criteria upon which executive compensation is based and the composition of executive compensation in terms of base salary, deferred compensation, incentive or equity-based compensation and other benefits;

- Establish and review corporate goals and objectives as relevant to our President and Chief Executive Officer (our "CEO") and Executive Chairman, evaluate their performance in light of these goals and objectives, and, based on this evaluation, recommend the CEO's and the Executive Chairman's compensation packages for approval by the independent members of the Board[1];
- Determine compensation packages for our other executive officers (including the other NEOs) consistent with policies approved by the independent members of the Board;
- Review and approve, subject to stockholder or board approval as required, the creation or amendment of any of our equity-based compensatory plans; and
- Oversee management's risk assessment of our compensation policies and practices.

Within this framework, the Committee receives and reviews information, analysis, and compensation proposals provided by our management and by the Committee's compensation consultant and other advisors.

Role of Executive Officers. Mr. Newberry, assisted by specialists from our Human Resources, Finance, and Legal Departments, develops recommendations for the compensation of our executive officers, including our NEOs. Typically, these recommendations cover the base salaries, annual incentive award opportunities, and long-term incentive award opportunities for our executive officers, as well as the criteria upon which these award opportunities may be earned.

The Committee considers Mr. Newberry's recommendations in light of competitive compensation data, the Committee's pay philosophy and objectives, and current business conditions, and obtains advice from outside advisors as discussed below. At the request of the Committee, our Executive Chairman provides input to the Committee on Mr. Newberry's compensation and compensation recommendations.

Mr. Newberry generally attends Compensation Committee meetings as requested by the Committee. He leaves the meeting for any discussion of his own compensation.

Role of Committee Advisors. The Committee is authorized to engage its own advisors to assist in carrying out its responsibilities. Since 2008, the Committee has engaged the services of Compensia, Inc., a national compensation consulting firm ("Compensia"). Compensia provides the Committee with guidance regarding the amount and types of compensation that we provide to our executive officers (including the NEOs) and how these compare to other companies' compensation practices.

Representatives of Compensia attend meetings of the Committee as requested and also communicate with the Committee's Chair outside of meetings. Compensia reports to the Committee rather than to our management, although Compensia meets with members of management, including Mr. Newberry, for purposes of gathering information on proposals that our management or Compensia may make to the Committee. The Committee may replace Compensia or hire additional advisors at any time. Compensia has not provided any other services to the Committee or to our management, and has received no compensation other than with respect to the services described above.

Executive Compensation Philosophy

Compensation Objectives. We design and operate our executive compensation program to achieve the following principal objectives:

- Maintain programs to attract, retain, and motivate high-caliber senior executives by developing compensation arrangements for our executive officers that are competitive with similarly-situated executives in technology companies;

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[1] The independent members of our Board of Directors, upon recommendation from the Committee, approve the elements of Mr. Newberry's compensation package. For purposes of this CD&A, a reference to a compensation action or decision by the Committee with respect to the NEOs means, in the case of Mr. Newberry, an action or decision by the independent members of our Board of Directors, unless otherwise expressly noted.

- Provide pay for performance, by appropriately rewarding our senior executives for their achievement of both short-term and long-term business objectives;
- Establish a long-term orientation by focusing the efforts of our senior executives on our long-term financial performance, customer relationships and stockholder value creation; and
- Structure cost-effective compensation programs to take into account the accounting treatment and tax deductibility of compensation expense.

Compensation Elements. Our executive compensation program consists of several principal elements intended to achieve the objectives described above. We consider each element to be appropriate to meet one or more of the principal objectives of our executive compensation philosophy.

Compensation Element	Objective(s)	Target Market Position*
Base salary	Market competitiveness to attract, retain and motivate	50th – 60th percentile of Peer Group
Annual incentive awards	Market competitiveness to attract, retain and motivate Pay for performance by rewarding executives for achieving shorter-term corporate and individual performance objectives	50th – 75th percentile of Peer Group, depending on performance results
Long-term incentives, including cash and equity awards	Market competitiveness to attract, retain and motivate Pay-for-performance Long-term/stockholder orientation Cost-effectiveness	50th – 75th percentile of Peer Group, depending on performance results
Retirement benefits	Provide competitive benefits Promote executive retention	50th percentile of Peer Group
Deferred compensation benefits	Provide competitive benefits Promote executive retention	N/A
Severance and change of control benefits	Market competitiveness to attract, retain and motivate Long-term/stockholder orientation	50th – 60th percentile of Peer Group
Other benefit programs	Market competitiveness to attract, retain and motivate	50th percentile of Peer Group

* See “Peer Group of Comparable Companies” and “Benchmarking and Target Pay Positioning”, below, for further explanation of the information in this column.

In setting individual pay for an executive officer, the Committee considers a variety of factors, such as job performance, job scope and responsibilities, skill set, prior experience, the executive officer’s time in his or her position with us, internal equity regarding pay levels for similar skill levels or positions, external pressures to attract and retain executive talent, and general market conditions. In general, the differences in total compensation, as well as differences in the amounts of individual compensation elements among our executive officers, reflect these factors. We believe that these differences are consistent with the pay differentials among similar positions at comparable companies.

Peer Group of Comparable Companies. The Committee considers compensation data from a group of comparably-sized companies in the technology industry (the "Peer Group") as one element in establishing the compensation levels of our executive officers, including the NEOs, as well as the mix and weighting of individual compensation elements. The companies constituting our Peer Group are selected for their comparability to us based on annual revenues, market capitalization, lines of business, and industry, and because we believe we are likely to compete with them for executive talent. Our Peer Group is focused in the semiconductor, semiconductor equipment and materials and solar technology industries. We generally use the following criteria for our peer group selection:

- 2009 revenues: Approximately 0.5x to 2x revenues.
  - Average revenues for peers: $1.89 billion.
  - Median revenue of peers: $1.52 billion.
- Market capitalization (based on 90-day average, calculated on July 31, 2009): $1 billion to $5 billion.
  - Average market capitalization of peers: $4.67 billion.
  - Median market capitalization of peers: $3.49 billion.

Based on the criteria above, the Peer Group may be modified from year to year. For calendar year 2010, no changes were made to the 2009 Peer Group and the 2010 Peer Group consisted of the following companies:

- Altera Corporation
- Analog Devices, Inc.
- Applied Materials, Inc.
- Atmel Corporation
- Cypress Semiconductor Corporation
- Fairchild Semiconductor International, Inc.
- First Solar, Inc.
- KLA-Tencor Corporation
- LSI Corporation
- Marvell Technology Group Ltd.
- Maxim Integrated Products, Inc.
- MEMC Electronic Materials, Inc.
- Molex Incorporated
- National Semiconductor Corporation
- Novellus Systems, Inc.
- NVIDIA Corporation
- SanDisk Corporation
- Sun Power Corporation
- Teradyne, Inc.
- Varian Semiconductor Equipment Associates, Inc.
- Xilinx, Inc.

In addition, in some cases, the Committee also reviews data from a subset of the Peer Group (Applied Materials, Inc., KLA-Tencor Corporation, Novellus Systems, Inc., Teradyne, Inc., and Varian Semiconductor Equipment Associates, Inc.), focusing specifically on companies in the semiconductor equipment industry.

In addition to this Peer Group data, our Human Resources Department analyzed select survey data on base salary, bonus targets, equity awards, and total compensation drawn from the Radford 2009 Executive Survey ("Radford Survey"). The Radford Survey includes data from several hundred technology companies; however, we focus only on the data for those technology companies comparable in size to the Company.

Benchmarking and Target Pay Positioning. The Compensation Committee reviews compensation practices at Peer Group companies and selected data from the Radford Survey as factors for determining whether executive officer total compensation is within a competitive range. Generally, the Committee targets the total direct compensation (defined as base salary plus target annual incentive awards plus target long-term incentive awards) of our executive officers, including the NEOs, near the 50th percentile of the Peer Group. However, our programs are designed to provide our executive officers with the opportunity to receive higher levels of compensation (up to and above the 75th percentile of the Peer Group) if warranted by superior Company and/or individual performance, or lower levels of compensation for below-target Company or individual performance.

Calendar Year 2009/2010 Compensation Decisions

Base Salary. Base salaries represent one of the primary non-variable components of our executive compensation program. We believe the purpose of base salary is to fairly and competitively compensate our executive officers, including the NEOs, with a fixed amount of salary for the jobs they perform. Accordingly, we seek to ensure that our base salary levels are competitive and consistent with Peer Group practice and data generally suggested by the Radford Executive Survey. Adjustments to base salary are generally considered by the Committee each year in February.

For CY 2009, in view of the prevailing uncertainty in the global economy and potential impact on our business, the Committee (upon the recommendation of Mr. Newberry) approved a temporary reduction in the base salaries of our NEOs, beginning in February 2009. The reductions ranged from 10% to 17.5% and were part of a broader salary reduction program applicable to all of our employees. Based upon improving economic conditions and Company performance, the Committee approved a restoration of base salaries for the NEOs effective December 28, 2009, to the levels in effect prior to the February 2009 reduction.

For CY 2010, the base salaries of the NEOs were determined by the Committee in February 2010 and became effective in April 2010 based on the factors described above.

The base salaries of the NEOs for CYs 2009 and 2010 are as follows:

Named Executive Officer	CY 2009 (1)	CY 2009/ CY 2010 (2)	CY 2010 (3)
Stephen G. Newberry	$660,000	$800,000	$850,000
Martin B. Anstice	$393,750	$450,000	$463,500
Ernest E. Maddock	$385,000	$440,000	$453,200
Richard A. Gottscho	$324,000	$360,000	$370,800
Jeffrey Marks	$279,000	$310,000	$325,000
Abdi Hariri	$283,500	$315,000	$325,000

(1) Reduced base salary effective until December 28, 2009.

(2) Base salaries restored to February 2009 levels effective December 28, 2009.

(3) Base salaries effective April 5, 2010.

Annual Incentive Program ("AIP")

The AIP provides for annual cash incentive awards to our NEOs based on corporate and individual performance achievement during the calendar year. For the AIP, the Committee establishes: (i) the corporate and individual performance metrics that will apply to each executive officer; (ii) the target levels of performance for the corporate and individual metrics which may be 6 or 12 month metrics; and (iii) the individual target award opportunities. By reviewing the target levels of performance for certain performance metrics every six-months, the Committee retains the ability to make adjustments as necessary to reflect changing business conditions and corporate objectives.

The specific metrics and their relative weightings are selected based upon the recommendations of Mr. Newberry and the determinations of the Committee regarding the important measures of our performance during the applicable calendar year.

The Committee establishes the target levels of performance for the corporate and individual metrics so that they will be challenging but achievable based on expected levels of performance from our executive officers, and so that below-expected performance will reduce the amount of an executive officer's incentive payments. Target levels of performance are set such that very strong performance is required to receive payments above the target award opportunity. For example, for CY 2006, AIP payments ranged from 1.9 to 2.05 times target amounts and for CY 2007, they ranged from 1.61 to 1.8 times target amounts. In both of these years, our performance was exceptional. By contrast, for CY 2008, AIP payments averaged 0.4 times target amounts, reflecting our performance in the deteriorating economy, and in CY 2009, AIP payments averaged 0.81 times target amounts, reflecting difficult economic conditions and corresponding Company performance in the first half of the year and improving economic conditions and Company performance in the second half.

The Committee reserves the right to settle any AIP payments in cash, Company shares, or any combination of cash and Company shares, based on the Company's cash position. Historically, AIP payments have been settled in cash.

2009 AIP

For CY 2009, AIP awards were determined for the NEOs using the framework of:

Target AIP Award (A)	**X (**	**Corporate Performance Factor X 50% (B)**	+	**Individual Performance Factor X 50% (C)**	**) =**	**AIP Payment (D)**

where:

(A) The target AIP award represents a percentage of each executive officer's annual eligible base earnings translated to a dollar amount. The reduced salaries in effect for most of CY 2009 affected eligible base salaries. In February 2009, the Committee approved the following target AIP award opportunities for CY 2009 for the NEOs:

Stephen G. Newberry	125%
Martin B. Anstice	85%
Ernest E. Maddock	80%
Richard A. Gottscho	75%
Jeffrey Marks	70%
Abdi Hariri	70%

The maximum potential 2009 AIP payment was capped at 1.0 times target award amount, reduced from 2.25 in prior years. The differences in target award opportunities among the NEOs were determined based on job scope and responsibilities, as well as an assessment of competitive compensation data.

(B) The CY 2009 AIP corporate performance factor was calculated based on the actual level of performance achievement with respect to four performance metrics: ongoing operating cash flow; Etch products market share; Clean products market share; and Customer Support Business Group ("CSBG") profit. The Etch products and Clean products market share target levels of performance were set in February 2009 for the entire year, and the operating cash flow and CSBG profit target levels of performance were set in February 2009 for the first half of the year and adjusted in August 2009 for the second half of the year. The target levels of performance established with respect to these metrics were considered stretch goals; for example, achievement of our operating plan goals would result in a 0.5 payout.

The weighting of each metric varied by the executive's area of responsibility and degree of influence with respect to such metric, as follows:

	Corporate Metrics				
Named Executive Officer	**Ongoing Operating Cash Flow**	**Etch Market Share**	**Clean Market Share**	**CSBG Contributed Profit**	**Total**
Stephen G. Newberry	50%	25%	15%	10%	100%
Martin B. Anstice	50%	25%	15%	10%	100%
Ernest E. Maddock	50%	25%	15%	10%	100%
Richard A. Gottscho	50%	40%	0%	10%	100%
Jeffrey Marks	50%	0%	40%	10%	100%
Abdi Hariri	50%	25%	15%	10%	100%

(C) CY 2009 AIP individual performance factors were calculated based on level of performance achievement with respect to each NEO's applicable metrics. Specific NEO performance factors were established for each NEO other than Messrs. Newberry and Anstice, whose performance was based solely on the corporate performance metric because of their roles as CEO and COO. The specific NEO individual performance metrics include: organizational financial performance, business process improvement, market share, organizational capability and product development. Achievement of individual target levels of performance was measured on the basis of quantitative and qualitative metrics that varied by each NEO, with a payment of 0 to 1.2 times target opportunity, based on the actual performance level. NEO specific performance metrics and target levels of performance were set in February 2009 for the entire year.

(D) CY 2009 AIP payments were based on the calculated result of performance relative to each specific NEO's performance against the applicable metrics.

For CY 2009, the corporate performance factor was 0.81, calculated as follows (Dr. Gottscho's corporate factor was 0.84 due to a higher weighting on Etch market share and Dr. Marks's corporate factor was 0.77 due to the higher weighting on Clean market share):

Corporate Performance Metrics	**Weighting (A)**	**1st Half CY 2009 Factor Result**	**2nd Half CY 2009 Factor Result**	**Annual Result (B)**	**Corporate Performance Factor Result (A x B)**
Ongoing operating cash flow	50%	.66	.50	.58	.29
Etch market share	25%	1.15		1.15	.29
Clean market share	15%	.97		.97	.15
CSBG Contributed Profits	10%	.56	1.20	.88	.09
Corporate Performance Factor Result					.81

The corporate performance factor result, together with the individual performance factor results, led to the following AIP payments for our NEOs, as approved by the Committee in February 2010. Individual payouts for NEOs with an individual performance factor were reduced by 10% so that AIP payments in the aggregate would not exceed the corporate performance factor result.

Named Executive Officer	**Target AIP Award ($)**	**Corporate Performance Factor Result**	**Individual Performance Factor Result**	**Annual Incentive Payment**
Stephen G. Newberry	$883,654	0.81	N/A	$715,760
Martin B. Anstice	$354,916	0.81	N/A	$287,482
Ernest E. Maddock	$326,616	0.81	1.00	$266,028
Richard A. Gottscho	$256,500	0.84	1.09	$222,539
Jeffrey Marks	$206,150	0.77	0.90	$154,551
Abdi Hariri	$209,475	0.81	1.00	$170,671

2010 AIP

In February 2010, the Committee reviewed the AIP structure in light of current economic conditions and approved several changes to the AIP structure for CY 2010 relative to CY 2009.

First, based on the annual executive compensation review and discussions with its compensation advisor, the Committee approved the following target AIP award opportunities for CY 2010:

Stephen G. Newberry	150%
Martin B. Anstice	85%
Ernest E. Maddock	80%
Richard A. Gottscho	80%
Jeffrey Marks	70%
Abdi Hariri	75%

Second, the Committee approved a maximum payout opportunity for CY 2010 equal to 2.25 times the target award. This was the Company's practice before CY 2009, and reflects the improved economic outlook for the Company.

Finally, a structural modification for CY 2010 was made in the determination of the maximum payout amount. Under this modification, a maximum payout will be generated based on ongoing operating income as a percentage of revenue. The maximum payout establishes the maximum award payable to each executive under the 2010 AIP. The Committee may then apply negative discretion to determine actual payouts to each executive based on corporate and individual performance.

Long-Term Incentive Program ("LTIP")

Long-term incentive awards are an important element of our executive compensation program. From CY 2006 through CY 2008, we used cash-based awards as our primary long-term incentive compensation vehicle under our Multi-Year Incentive Program ("MYIP"), which is described below under "*Multi-Year Incentive Program*". Beginning in CY 2009, management recommended, and the Committee approved, a change to how long-term incentive compensation is delivered to our executives by establishing the Long-Term Incentive Program ("LTIP"). Beginning in CY 2009, the LTIP has delivered 50% of the target award in cash, through the MYIP, and 50% of the target award through equity awards.

The LTIP is 75% performance-based. The MYIP cash incentive program portion of the award (which is 50% of the total LTIP award) is earned based on achieving pre-established performance targets, and one-half of the equity award portion of the LTIP award (*i.e.* 25% of the total LTIP award) is delivered through performance-based equity. The remaining one-half of the LTIP equity award portion (*i.e.* 25% of the total LTIP award) is delivered through time-vested RSUs. The performance-based equity component of the LTIP is reviewed annually to determine the most appropriate form for the award based on criteria such as the current economic environment, the perceived potential value to motivate and retain the executives, and the accounting impact relative to the potential value delivered. Based on these criteria, in CY 2009, the performance-based equity award was delivered in stock options, and in CY 2010, it was delivered in performance-based RSUs.

The Committee establishes individual target award opportunities at the beginning of each two-year cycle based on the executive's position and responsibilities, an evaluation of the executive's performance, and an assessment of competitive compensation data from the Peer Group. The target amounts for each NEO under the various two-year LTIP program cycles (which includes both the MYIP and equity awards) are as follows:

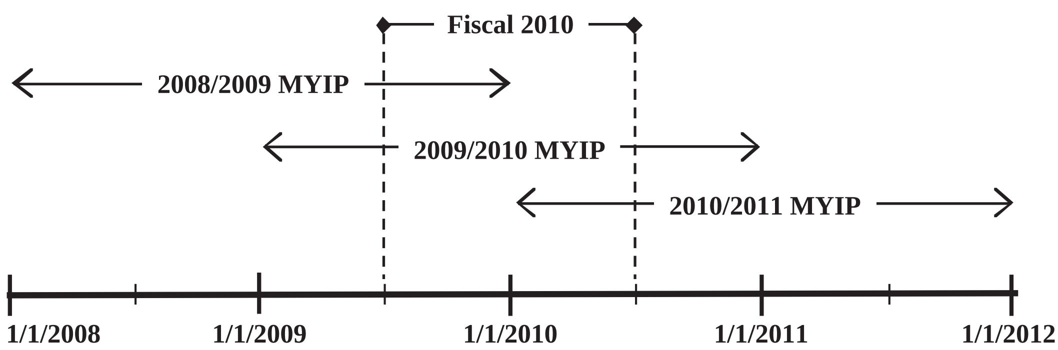
Named Executive Officer	LTIP Program Cycle	Target Amount
Stephen G. Newberry	2008/2009	$4,000,000
	2009/2010	$4,000,000
	2010/2011	$4,500,000
Martin B. Anstice	2008/2009	$1,625,000
	2009/2010	$1,750,000
	2010/2011	$2,000,000
Ernest E. Maddock	2008/2009	$1,476,000
	2009/2010	$1,600,000
	2010/2011	$1,600,000
Richard A. Gottscho	2008/2009	$1,260,000
	2009/2010	$1,260,000
	2010/2011	$1,350,000
Jeffrey Marks	2008/2009	$ 930,000
	2009/2010	$ 930,000
	2010/2011	$1,000,000
Abdi Hariri	2008/2009	$1,102,500
	2009/2010	$1,250,000
	2010/2011	$1,250,000

Multi-Year Incentive Program. The MYIP is a long-term cash incentive program designed to provide competitive levels of compensation to and reward our senior executives for performance and stock price appreciation over a performance period.

The MYIP operates over two-year performance cycles. For example, the 2009/2010 MYIP cycle covers performance during CY 2009 and CY 2010. The actual payment amount is determined and payment is made in the calendar year following the end of the cycle. For example, the "Award Determination Date" for the 2009/2010 MYIP cycle will be February 2011. An executive officer generally must be continuously employed by us through the Award Determination Date in order to receive payment for a MYIP cycle.

Because each MYIP cycle covers performance in two calendar years, three MYIP cycles affect NEO compensation during each fiscal year. A new MYIP cycle typically commences at the beginning of each calendar year and lasts for two calendar years. The MYIP cycles that affect NEO compensation for fiscal 2010 (which is reported in the Summary Compensation Table) are shown in the following chart:

MYIP Performance Periods



Award amounts under the MYIP may be increased (but may not be decreased) through a stock price modifier if our stock price exceeds a benchmark level set at the beginning of the MYIP cycle. This is intended to allow our executives to participate along with our investors in stock price appreciation resulting from strong financial and operating performance results. The specific formula is described in subparagraph (C) below.

The Committee measures actual levels of performance results for the performance metrics on a quarterly basis and accrues the potential payment attributable to that fiscal quarter's performance at the end of each quarter during a MYIP cycle, although the Committee may reduce these amounts to determine the actual payouts at the end of the cycle.

The structure of a MYIP cycle can be summarized by the following formula:

Target Award (A)	**X**	**Performance Factor (B)**	**X**	**Stock Price Modifier (C)**	**=**	**Quarterly Accrual (D)**

where:

(A) The target award is an amount established for each NEO by the Committee. It is established at the start of each two-year MYIP cycle. For purposes of this calculation, the target award is prorated over the eight quarters of each MYIP cycle.

(B) The performance factor is the calculated result based on actual level of performance with respect to the applicable metric during the MYIP cycle. This is described in further detail below under "Performance Factors."

(C) The stock price modifier is a ratio of (x) the market price of our common stock over the 50-trading-day trailing average as of the end of each fiscal quarter to (y) the 200-trading-day trailing average as of the end of the December fiscal quarter preceding the beginning of the MYIP cycle, but may not be less than 1.0. The stock price modifier allows our executives to participate with our investors in stock price appreciation.

(D) The quarterly accrual is the product of the target award, the performance factor and stock price modifier. This determination is made each quarter of the MYIP cycle, with payout occurring at the Award Determination Date (if approved by the Committee and subject to the NEO's continued employment).

The maximum potential MYIP incentive payment is subject to a cap of 2.5 times the target dollar amount.

Target Awards. The target awards for each NEO for the 2008/2009, 2009/2010 and 2010/2011 MYIP cycles are:

Named Executive Officer	MYIP Cycle	Target Award for Entire Two-Year MYIP Cycle (prorated equally for each year)
Stephen G. Newberry	2008/2009	$4,000,000
	2009/2010	$2,000,000
	2010/2011	$2,250,000
Martin B. Anstice	2008/2009	$1,625,000
	2009/2010	$ 875,000
	2010/2011	$1,000,000
Ernest E. Maddock	2008/2009	$1,476,000
	2009/2010	$ 800,000
	2010/2011	$ 800,000
Richard A. Gottscho	2008/2009	$1,260,000
	2009/2010	$ 630,000
	2010/2011	$ 675,000
Jeffrey Marks	2008/2009	$ 930,000
	2009/2010	$ 465,000
	2010/2011	$ 500,000
Abdi Hariri	2008/2009	$1,102,500
	2009/2010	$ 625,000
	2010/2011	$ 625,000

Performance Factors. The performance factor is the calculated result based on the achievement of performance against the metric and target level of performance.

- For the CY 2008 (and earlier) portions of MYIPs, the metric and target level of performance were established annually for each year of the MYIP cycle.
- For the CY 2009 and subsequent portions of MYIPs, performance metrics and target levels of performance were established at the beginning of the applicable period; performance metrics are reviewed annually and target levels are reviewed every six months during the applicable cycle, and adjusted in the Committee's discretion.

By reviewing performance metrics and target levels of performance regularly, the Committee retains the ability to make adjustments to reflect changing business conditions and corporate objectives. For example:

- The performance metric for the CY 2008 portion of the 2008/2009 MYIP cycle was based on ongoing operating income.

- The performance metric for the CY 2009 portion of the 2008/2009 and 2009/2010 MYIP cycles was changed to ongoing operating cash flow because the Committee believed that this metric represented the best indicator of our corporate performance given the economic uncertainties and their impact on our business, the Company's goal of conserving cash reserves and the Committee's desire to reward our executives for achieving objectives in CY 2009 that would position the Company for long-term success.
- As business conditions improved for CY 2010, the performance metric for the CY 2010 portion of the 2009/2010 and 2010/2011 MYIP cycles was returned to ongoing operating income, which the Committee believes is a stronger indicator of Company performance during improved business conditions.

The ongoing operating income target level of performance for CY 2008 was $528,750,000; the performance factor was actual ongoing operating income divided by this ongoing operating income target level of performance.

The ongoing operating cash flow target was a sliding scale from 0% to 120% based on the Company's performance against the ongoing operating cash flow goal. Based on the first half of CY 2009 operating plan target of $7 million in ongoing cash from operations (based on $350 million in revenue) and second-half of CY 2009 operating plan of $11M (based on $628 million in revenue), the performance factor would be 0.5. This target performance factor, which is below 1.0 for achieving the operating plan, reflects the difficult economic environment in which we operated in CY 2009.

FY 2010 MYIP Payments

The Award Determination Date for the 2008/2009 MYIP cycle occurred in February 2010. The Committee reviewed the amounts calculated under the formula described under "Performance Factors" and authorized payouts. The average payout under the 2008/2009 MYIP was 58.7% of target, reflecting:

- CY 2008 actual ongoing operating income of $313.5 million. This led to a result of zero for the third quarter of CY 2008. However, even though an award was potentially awardable for the fourth quarter of CY 2008, the Committee exercised negative discretion and reduced the award for that quarter to zero, given the difficult economic conditions at that time.
- Revenue of $392.3 million and ongoing cash from operations of $29 million for the first half of CY 2009, resulting in a performance metric result of 0.66 for that period.
- Revenue of $805.7 million and ongoing cash from operations of $110.6 million for the second half of CY2009, resulting in a performance metric result of 0.50 for that period.

During the 2008/2009 MYIP period, the stock price modifier was positive only for the fourth quarter of CY 2009 (1.18 for that quarter). The amounts earned by the NEOs under the 2008/2009 MYIP were:

Named Executive Officer	Target Award Opportunity	Award Payout	Award Payout as a Percentage of Award Opportunity
Stephen G. Newberry	$4,000,000	$2,219,555	55.5%
Martin B. Anstice	$1,625,000	$ 963,059	59.3%
Ernest E. Maddock	$1,476,000	$ 874,868	59.3%
Richard A. Gottscho	$1,260,000	$ 745,674	59.2%
Jeffrey Marks	$ 930,000	$ 550,378	59.2%
Abdi Hariri	$1,102,500	$ 652,463	59.2%

Mr. Newberry's award payout percentage was less than the other NEOs' awards because for purposes of determining his 2008/2009 MYIP award, the SEZ Holdings AG business was included in the determination of his ongoing operating income results, and for the other NEOs, the SEZ business was excluded.

Equity Awards

2009 Equity Awards. Under the LTIP for CY 2009, each NEO received, on February 26, 2009, a grant of RSUs and a stock option grant. The number of RSUs granted equaled one-half of the target dollar amount shown in the table below divided by $20.21, the closing price of the Company's common stock on the grant date. Each NEO also was granted a stock option covering 2.5 shares of the Company's common stock for each RSU granted. The stock options have an exercise price equal to $20.21, the closing price of the Company's common stock on the grant date, and have a five-year term. The RSUs and options vest on the second anniversary of the grant date.

The equity awards for the NEOs were as follows:

Named Executive Officer	Target Dollar Amount	Stock Option Awards	Restricted Stock Units Award
Stephen G. Newberry	$2,000,000	123,700	49,480
Martin B. Anstice	$ 875,000	54,120	21,648
Ernest E. Maddock	$ 800,000	49,480	19,792
Richard A. Gottscho	$ 630,000	38,965	15,586
Jeffrey Marks	$ 465,000	28,760	11,504
Abdi Hariri	$ 625,000	38,658	15,463

2010 Equity Awards. Under the LTIP for CY 2010, each NEO received, on February 5, 2010, a grant of performance based and time based RSUs. To determine both the number of time based and performance based RSUs, one-half of the NEO's target dollar amount shown in the table below was divided by $33.29, the closing price of our common stock on the grant date. The performance based RSUs vest on the second anniversary of the grant date, subject to and based on achievement of ongoing operating profit percentages. The time based RSUs vest on the second anniversary of the grant date.

The equity awards for the NEOs were as follows:

Named Executive Officer	Target Dollar Amount	Time-based Restricted Stock Units Award	Performance-based Restricted Stock Units Award
Stephen G. Newberry	$2,250,000	33,793	33,793
Martin B. Anstice	$1,000,000	15,019	15,019
Ernest E. Maddock	$ 800,000	12,015	12,015
Richard A. Gottscho	$ 675,000	10,138	10,138
Jeffrey Marks	$ 500,000	7,509	7,509
Abdi Hariri	$ 625,000	9,387	9,387

Other Equity Awards

In addition to the LTIP, certain executives are eligible to receive equity awards tied to achievement of specific performance goals. In CY 2010, the Committee granted Dr. Gottscho an RSU award covering a total of 28,000 shares of our common stock, 4,000 shares of which will vest on March 27, 2011, 20,000 shares of which will vest on June 26, 2011, and 4,000 shares of which will vest on March 25, 2012, subject to the achievement of defined performance criteria relating to Etch products market share, wafer fabrication equipment market share, and his continued employment with us through the vesting date. In CY 2010, the Committee granted Dr. Marks an RSU award covering a total of 8,000 shares of our common stock, 4,000 of which will vest on March 27, 2011 and 4,000 of which will vest on March 25, 2012, subject to performance criteria related to wafer fabrication equipment market share and his continued employment with us through the vesting date. No other NEO received an equity award in calendar year 2010 other than under the LTIP.

Employment/Change of Control Arrangements

Effective July 2009, the independent members of our Board of Directors, upon recommendation of the Committee, entered into an employment agreement with Mr. Newberry (the "Newberry Agreement") to: (i) document the terms and conditions of Mr. Newberry's employment and (ii) encourage the retention of our chief executive officer. The Committee also approved employment agreements with Messrs. Anstice and Maddock, and change of control agreements with our other executive officers, including Dr. Gottscho, Dr. Marks, and Mr. Hariri.

Employment Agreements. The Company and Mr. Newberry entered into the Newberry Agreement effective July 1, 2009. The Newberry Agreement provides that Mr. Newberry shall serve as the Company's President and Chief Executive Officer for a term commencing on July 1, 2009 and ending on June 30, 2012, subject to the right of the Company or Mr. Newberry, under certain circumstances, to terminate the agreement prior to June 30, 2012, and provided that Mr. Newberry's employment will terminate immediately upon his death or disability (as defined in the Newberry Agreement).

Under the Newberry Agreement, Mr. Newberry will receive a base salary of $800,000 per year, subject to annual adjustment at the discretion of the independent members of the Board. Effective April 2010, this base salary was adjusted to $850,000. Mr. Newberry is also entitled to participate in any short-term or long-term variable compensation programs offered by the Company to its executive officers generally, subject to the applicable terms and conditions of those programs and the approval of the independent members of the Board, and to participate in the Company's Elective Deferred Compensation Plan. Mr. Newberry receives other benefits, such as health insurance, vacation, and benefits under other plans and programs generally applicable to executive officers of the Company.

If an Involuntary Termination (as defined in the Newberry Agreement) of Mr. Newberry's employment occurs, other than in connection with a change of control (as defined in the agreement), Mr. Newberry will be entitled to:

(1) a lump-sum cash payment equal to 18 months of his then-current base salary (without giving effect to any salary reduction program currently in effect), plus an amount equal to the average of the last five annual payments made to Mr. Newberry under the AIP or any predecessor or successor programs (the "Short Term Program," and such average, the "Short Term Program Average"), plus an amount equal to the pro-rata amount he would have earned under the Short Term Program for the calendar year in which his employment is terminated had his employment continued until the end of such calendar year, such pro-rata portion to be calculated based on the performance results achieved under the Short Term Program and the number of full months elapsed prior to the termination date;

(2) payment of any amounts accrued as of the date of termination under any long-term cash-based variable-compensation programs of the Company (the "Long Term Cash Programs"), the payment of which generally occurs during February of a calendar year with respect to incentive programs relating to the prior calendar year;

(3) certain medical benefits; and

(4) vesting, as of the date of termination, of a pro rata portion (based on time of service) of the unvested stock option or RSU awards granted to Mr. Newberry at least twelve months prior to the termination date.

If a change of control of the Company (as defined in the agreement) occurs during the period of Mr. Newberry's employment, and if there is an Involuntary Termination of Mr. Newberry's employment either in contemplation of or within the 12 months following the change of control, Mr. Newberry will be entitled to:

(1) a lump-sum cash payment equal to 18 months of Mr. Newberry's then-current base salary, plus an amount equal to the Short Term Program Average, plus an additional amount equal to the amount he would have earned under the Short Term Program for the calendar year in which his employment is terminated multiplied by the number of full months worked in that calendar year divided by twelve;

(2) certain medical benefits;

(3) vesting, as of the date of termination, of the unvested stock option or RSU awards granted to Mr. Newberry prior to the change of control; and

(4) payment of any amounts accrued as of the change of control under the Long Term Cash Programs, plus an amount equal to the remaining target amount under the Long Term Cash Programs.

If Mr. Newberry's employment is terminated due to disability or in the event of his death, Mr. Newberry (or his estate) will be entitled to:

(1) a lump-sum cash payment equal to 12 months of his then-current base salary (without giving effect to any salary reduction program currently in effect) less, in the case of his death, certain insurance payments, plus the pro-rata amount he would have earned under the Short Term Program for the calendar year in which his employment is terminated had his employment continued until the end of such calendar year, such pro-rata portion to be calculated based on the performance results achieved under the Short Term Program and the number of full months elapsed prior to the termination date;

(2) payment of any amounts accrued as of the date of termination under the Long Term Cash Programs (the payment of which generally occurs during February of a calendar year with respect to incentive programs relating to the prior calendar year);

(3) certain medical benefits (in the case of Mr. Newberry's death, benefits to which his dependents are entitled); and

(4) vesting, as of the date of termination, of at least 50% of the unvested stock option or RSU awards granted to Mr. Newberry prior to the date of termination (or a pro rata amount, based on period of service, if greater than 50%).

If Mr. Newberry voluntarily resigns, he will be entitled to no additional benefits and stock options and RSUs will cease to vest on the termination date, and stock options will be cancelled unless they are exercised within ninety days after the termination date.

The Newberry Agreement also subjects Mr. Newberry to customary confidentiality and non-competition obligations during the term of the agreement, and non-solicitation obligations for a period of six months following the termination of his employment. The agreement also requires Mr. Newberry to execute a release in favor of the Company to receive the payments described above.

The terms of Mr. Anstice's agreement are substantively similar to those of the Newberry Agreement, with the following material differences: Mr. Anstice shall serve as an Executive Vice President of the Company and will receive a base salary of $450,000, subject to annual adjustment at the discretion of the Committee. Effective April 2010, this base salary was adjusted to $463,500. Mr. Anstice is entitled to payment of twelve months' COBRA premiums in the event that he is not eligible for the Company's Executive Retiree Medical Benefit Plan.

The severance terms of Mr. Anstice's agreement are generally similar to those of the Newberry Agreement, provided that (1) Mr. Anstice will receive 12 months' base salary instead of 18 months' in the event of his Involuntary Termination; (2) instead of a payment of the full Short Term Program Average, he will receive a payment of 50% of the Short Term Program Average; and (3) in the event of death or disability, Mr. Anstice will not be entitled to any payment based on his base salary. The change of control terms of Mr. Anstice's agreement are generally similar to those of the Newberry Agreement, provided that Mr. Anstice will receive 12 months' base salary instead of 18 months' in the event of his Involuntary Termination.

The terms of Mr. Maddock's agreement are substantively similar to those of Mr. Anstice's agreement, with the following material differences: Mr. Maddock shall serve as a Senior Vice President of the Company and will receive a base salary of $440,000, subject to annual adjustment at the discretion of the Committee. Effective April 2010, this base salary was adjusted to $453,200.

Change of Control Agreements. We entered into change of control agreements with Mr. Hariri, Dr. Marks, and Dr. Gottscho, which provide that, if a change of control (defined as in the Newberry Agreement) of the Company occurs during the period of employment of the applicable executive officer under the change of control agreement, and there is an Involuntary Termination (defined as in the Newberry Agreement) of the executive officer's employment, the executive officer will be entitled to payments and benefits substantively similar to those contained in the change of control provisions of Messrs. Anstice and Maddock's agreements.

The change of control agreements contain confidentiality, non-competition, and non-solicitation terms that are substantively similar to those of Messrs. Anstice and Maddock's agreements, and require Mr. Hariri, Dr. Marks, and Dr. Gottscho to execute releases in favor of the Company to receive the payments described in the previous paragraph.

Equity Plans. In addition to the above, certain of our stock plans provide for accelerated benefits after certain events. While the applicable triggers under each plan vary, these events generally include: (i) a merger or consolidation in which Lam Research is not the surviving entity, (ii) a sale of substantially all of Lam's assets, including a liquidation or dissolution of the Company, or (iii) a change in the ownership of more than 50% of our outstanding securities by tender offer or similar transaction. After a designated event, the vesting of some or all of awards granted under these plans may be immediately accelerated in full, or certain awards may be assumed, substituted, replaced or settled in cash by a surviving corporation or its parent. The specific treatment of awards in a particular transaction will be determined by the Board and/or the terms of the applicable transaction documents.

Potential Payments to Named Executive Officers Upon Termination or Change of Control. The tables below summarize the potential payments to our NEOs, assuming a change of control of the Company as of the end of FY 2010. These amounts are calculated assuming that the employment termination or change of control occurs on the last business day of FY 2010, June 25, 2010. The closing price per share of our common stock on June 25, 2010 was $40.25.

Mr. Newberry

		Involuntary Termination			
Executive Benefits and Payments Upon Termination	**Voluntary Termination**	**Disability or Death**	**For Cause**	**Not for Cause**	**Change of Control**
Compensation					
Severance	$ —	$ 850,000	$—	$1,275,000	$ 1,275,000
Short-term Incentive (5-year bonus average)	$ —	$ —	$—	$ 974,747	$ 974,747
Short-term Incentive (pro rata 2010 bonus)	$ —	$ 637,500	$—	$ 637,500	$ 487,373
Long-term Incentives:					
2009-2010 MYIP	$ —	$1,392,026	$—	$1,392,026	$ 1,892,026
2010-2011 MYIP	$ —	$ 887,851	$—	$ 887,851	$ 2,575,351
Stock Options (Unvested and Accelerated)	$ —	$1,652,632	$—	$1,652,632	$ 2,478,948
Restricted Stock Units (Unvested and Accelerated)	$ —	$2,687,882	$—	$1,327,713	$ 4,711,907
Benefits and Perquisites					
Health Benefit Continuation	$274,000	$ 274,000	$—	$ 274,000	$ 274,000
Total	**$274,000**	**$8,381,891**	**$—**	**$8,421,469**	**$14,669,352**

Mr. Anstice

		Involuntary Termination			
Executive Benefits and Payments Upon Termination	**Voluntary Termination**	**Disability or Death**	**For Cause**	**Not for Cause**	**Change of Control**
Compensation					
Severance	$ —	$ —	$ —	$ 463,500	$ 463,500
Short-term Incentive (5-year bonus average)	$ —	$ —	$ —	$ 172,322	$ 344,644
Short-term Incentive (pro rata 2010 bonus)	$ —	$ 196,988	$ —	$ 196,988	$ 172,322
Long-term Incentives:					
2009-2010 MYIP	$ —	$ 609,012	$ —	$ 609,012	$ 827,762
2010-2011 MYIP	$ —	$ 394,601	$ —	$ 394,601	$1,144,601
Stock Options (Unvested and Accelerated)	$ —	$ 723,043	$ —	$ 723,043	$1,084,565
Restricted Stock Units (Unvested and Accelerated)	$ —	$1,185,403	$ —	$ 580,888	$2,080,362
Benefits and Perquisites					
Health Benefit Continuation/COBRA Payment	$ —	$ 27,886	$ —	$ 27,886	$ 27,886
Total	**$ —**	**$3,136,933**	**$ —**	**$3,168,240**	**$6,145,642**

Mr. Maddock

Executive Benefits and Payments Upon Termination	Voluntary Termination	Involuntary Termination: Disability or Death	For Cause	Not for Cause	Change of Control
Compensation					
Severance	$ —	$ —	$ —	$ 453,200	$ 453,200
Short-term Incentive (5-year bonus average)	$ —	$ —	$ —	$ 177,130	$ 354,259
Short-term Incentive (pro rata 2010 bonus)	$ —	$ 181,280	$ —	$ 181,280	$ 177,130
Long-term Incentives:					
2009-2010 MYIP	$ —	$ 556,811	$ —	$ 556,811	$ 756,811
2010-2011 MYIP	$ —	$ 315,681	$ —	$ 315,681	$ 915,681
Stock Options (Unvested and Accelerated)	$ —	$ 661,053	$ —	$ 661,053	$ 991,579
Restricted Stock Units (Unvested and Accelerated)	$ —	$1,014,689	$ —	$ 531,085	$1,763,836
Benefits and Perquisites					
Health Benefit Continuation/COBRA Payment	$ —	$ 21,865	$ —	$ 21,865	$ 21,865
Total	**$ —**	**$2,751,379**	**$ —**	**$2,898,105**	**$5,434,361**

Dr. Gottscho

Executive Benefits and Payments Upon Termination	Voluntary Termination	Involuntary Termination: Disability or Death	For Cause	Not for Cause	Change of Control
Compensation					
Severance	$ —	$ —	$ —	$ —	$ 370,800
Short-term Incentive (5-year bonus average)	$ —	$ —	$ —	$ —	$ 286,911
Short-term Incentive (pro rata 2010 bonus)	$ —	$ —	$ —	$ —	$ 143,456
Long-term Incentives:					
2009-2010 MYIP	$ —	$ —	$ —	$ —	$ 595,988
2010-2011 MYIP	$ —	$ —	$ —	$ —	$ 772,605
Stock Options (Unvested and Accelerated)	$ —	$ —	$ —	$ —	$ 780,859
Restricted Stock Units (Unvested and Accelerated)	$ —	$ —	$ —	$ —	$3,093,696
Benefits and Perquisites					
Health Benefit Continuation	$270,000	$270,000	$ —	$270,000	$ 270,000
Total	**$270,000**	**$270,000**	**$ —**	**$270,000**	**$6,314,315**

Dr. Marks

Executive Benefits and Payments Upon Termination	Voluntary Termination	Involuntary Termination: Disability or Death	For Cause	Not for Cause	Change of Control
Compensation					
Severance	$ —	$ —	$ —	$ —	$ 325,000
Short-term Incentive (5-year bonus average)	$ —	$ —	$ —	$ —	$ 212,297
Short-term Incentive (pro rata 2010 bonus)	$ —	$ —	$ —	$ —	$ 106,148
Long-term Incentives:					
2009-2010 MYIP	$ —	$ —	$ —	$ —	$ 439,896
2010-2011 MYIP	$ —	$ —	$ —	$ —	$ 572,300
Stock Options (Unvested and Accelerated)	$ —	$ —	$ —	$ —	$ 576,350
Restricted Stock Units (Unvested and Accelerated)	$ —	$ —	$ —	$ —	$2,275,011
Benefits and Perquisites					
Health Benefit Continuation/COBRA Payment	$ —	$ —	$ —	$ —	$ 27,886
Total	**$ —**	**$ —**	**$ —**	**$ —**	**$4,534,888**

Mr. Hariri

Executive Benefits and Payments Upon Termination	Voluntary Termination	Involuntary Termination			
		Disability or Death	For Cause	Not for Cause	Change of Control
Compensation					
Severance	$ —	$ —	$ —	$ —	$ 325,000
Short-term Incentive (5-year bonus average)	$ —	$ —	$ —	$ —	$ 227,857
Short-term Incentive (pro rata 2010 bonus)	$ —	$ —	$ —	$ —	$ 113,929
Long-term Incentives:					
2009-2010 MYIP	$ —	$ —	$ —	$ —	$ 591,258
2010-2011 MYIP	$ —	$ —	$ —	$ —	$ 715,375
Stock Options (Unvested and Accelerated)	$ —	$ —	$ —	$ —	$ 774,706
Restricted Stock Units (Unvested and Accelerated)	$ —	$ —	$ —	$ —	$1,378,039
Benefits and Perquisites					
Health Benefit Continuation/COBRA Payment [1]	$ —	$ —	$ —	$ —	$ 42,557
Total	**$ —**	**$ —**	**$ —**	**$ —**	**$4,168,721**

(1) Mr. Hariri's COBRA payment is based on 18 months rather than 12 months, since his tenure with the Company exceeds 20 years.

Medical and Dental Coverage. The Company provides post-retirement medical and dental insurance coverage for eligible former executive officers and members of the Board under our Executive Retirement Medical and Dental Plan. We have an independent actuarial valuation of this post-retirement benefit conducted annually in accordance with the methodology prescribed by ASC 715. The most recent valuation was conducted in June 2010 by a new actuarial firm that used different assumptions from the previous firm. As a result, our accumulated post-retirement benefit obligation for the NEOs increased significantly, as shown in the table below:

Name	FY 2010
Stephen G. Newberry	$274,000
Martin B. Anstice	$107,000
Ernest E. Maddock	$287,000
Richard A. Gottscho	$270,000
Jeffrey Marks	$287,000
Abdi Hariri	$287,000

In addition, certain of our equity plans provide for accelerated benefits after certain events as discussed above.

Other Executive Compensation Plans

Elective Deferred Compensation Plan and 401(k) Plan. We maintain a non-qualified deferred compensation plan, the Elective Deferred Compensation Plan (the "EDCP"), which allows eligible employees, including our executive officers (and the NEOs), to voluntarily defer receipt of all or a portion of their base salary and all or a portion of certain long- or short-term incentive compensation payments until the date or dates elected by the participating employee, thereby allowing the employee to defer current taxation on such amounts. The EDCP is offered to eligible employees to allow them to defer more compensation than they would otherwise be permitted to defer under a tax-qualified retirement plan, such as Lam's 401(k) Plan. Further, we offer the EDCP as a competitive practice to enable us to attract and retain top talent.

All of our employees, including the NEOs, are also eligible to receive Company contributions that match a certain percentage of their contributions to the 401(k) Plan. In addition, we provide a Company contribution to the EDCP to compensate for matching contributions to the 401(k) Plan that would have been received by the executive had he not participated in the EDCP.

Health and Welfare Benefits. Except as discussed in this section, our executive officers, including the NEOs, are eligible to receive health and welfare benefits, including medical, disability, and life insurance coverage, on the same basis as all of our employees.

We provide certain additional benefits to our executive officers, including the NEOs, which are not generally available to our other employees, including the payment of premiums for supplemental long-term disability insurance, executive dental insurance coverage, and an executive medical reimbursement program that reimburses an executive officer's payment of medical co-insurance and co-payments, and vision care expenses.

We also provide a program to pay for post-retirement medical and dental insurance coverage for eligible former executive officers and members of our Board of Directors ("Executive Retirement Medical and Dental Plan"). To be eligible, an individual must have served in the position of vice president or above or as a member of the Board, be at least age 55 at the time of his or her retirement, and have at least five years of continuous service with Lam Research. An executive officer or director must be enrolled in our United States group medical and dental plans at the time of his or her retirement. When the retiree or spouse of a retiree reaches age 65, he or she is required to enroll in Medicare (Parts A and B), which would be the primary payer for the participant's health insurance coverage. This benefit also covers the retiree's spouse at the time of retirement for his or her lifetime, as well as dependent children until age of 19 (or 24 if a full-time student). This benefit ceases if the retiree becomes employed by one of our competitors after leaving active service with us. We provide this benefit to our executive officers and members of our Board to further the long-term retention of their services and provide a disincentive to compete against us later.

Perquisites and Other Personal Benefits. Historically, we have not provided perquisites or other personal benefits to our executive officers, including the NEOs, and we did not do so in FY 2010.

Tax and Accounting Considerations

Deductibility of Executive Compensation. Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), imposes limitations on the deductibility for federal income tax purposes of compensation in excess of $1 million paid to our Chief Executive Officer and any of our three other most highly compensated executive officers (other than our Chief Financial Officer) in a single tax year. Generally, compensation in excess of $1 million may only be deducted if it is "performance-based compensation" within the meaning of the Code.

In determining which components of compensation are to be paid, and how they are weighted, we take into account whether a particular form of compensation will be considered "performance-based" compensation for purposes of Section 162(m).

In fiscal 2004, we adopted the Executive Incentive Plan ("EIP") with a structure intended to provide for the deductibility of awards granted under the EIP. Accordingly, during fiscal 2010, the annual incentive awards and all MYIP awards to our NEOs were granted under the EIP in order to qualify for deductibility under Section 162(m).

Compensation income realized upon the exercise of stock options or vesting of RSUs granted under our stock incentive plans generally will be deductible if the awards are granted by a committee whose members are non-employee directors and certain other conditions are satisfied. However, compensation associated with RSUs will not be considered performance-based compensation for the purposes of Section 162(m) unless vesting is based on specific performance goals rather than based on continued employment.

The Committee monitors the application of Section 162(m) and the associated Treasury regulations on an ongoing basis and the advisability of qualifying our executive compensation for deductibility of such compensation. The Committee's policy is to qualify our executive compensation for deductibility under applicable tax laws to the extent practicable and if the Committee believes it is in the best interests of the Company and its stockholders.

Taxation of "Parachute" Payments. Sections 280G and 4999 of the Code provide that executive officers or directors of a corporation who hold significant equity interests, and certain other service providers, may be subject to significant additional taxes if they receive payments or benefits in connection with a change of control of the corporation that exceeds certain prescribed limits. The corporation or its successor may also forfeit a deduction on the amounts subject to this additional tax.

We did not provide any of our executive officers, including any NEO, any director, or any other service provider with a "gross-up" or other reimbursement payment for any tax liability that the individual might owe as a result of the application of Sections 280G or 4999 during fiscal 2010, and we have not agreed and are not otherwise obligated to provide any individual with such a "gross-up" or other reimbursement.

Internal Revenue Code Section 409A. Section 409A of the Code imposes significant additional taxes on an executive officer, director, or service provider that receives "deferred compensation" that is within the scope of Section 409A. Among other things, Section 409A applies to the MYIP, the EDCP, certain equity awards, and severance arrangements.

To assist our employees in avoiding additional taxes under Section 409A, we have structured the MYIP, the EDCP, and our equity awards in a manner intended to qualify them for exclusion from Section 409A.

Accounting for Stock-Based Compensation. We follow Accounting Standards Codification 718, *Compensation-Stock Compensation* ("ASC 718") for our stock options and other stock-based awards. ASC 718 requires companies to calculate the grant date "fair value" of their stock option grants and other equity awards using a variety of assumptions. This calculation is performed for accounting purposes and reported in the compensation tables below. ASC 718 also requires companies to recognize the compensation cost of its stock option grants and other stock-based awards in their income statements over the period that an employee is required to render service in exchange for the option or other equity award.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K. Based on this review and discussion, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and the Company's Annual Report on Form 10-K.

This Report of the Compensation Committee shall not be deemed "filed" with the SEC for purposes of federal securities law, and it shall not, under any circumstances, be incorporated by reference into any of the Company's past or future SEC filings. The Report shall not be deemed soliciting material.

COMPENSATION COMMITTEE
Robert M. Berdahl
Grant M. Inman (Chair)

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the Committee members has ever been an officer or employee of Lam Research. No interlocking relationship exists or existed during fiscal 2010 between any member of our Compensation Committee and any member of any other company's board of directors or compensation committee.

EXECUTIVE COMPENSATION TABLES

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($) (1)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($) (19)	All Other Compensation ($) (20)	Total ($)
Stephen G. Newberry	2010	$737,473	$ 0	$2,249,938	$ 0	$3,211,287[3]	$0	$11,184	$6,209,882
President and Chief Executive Officer	2009	$746,154	$ 0	$ 999,991	$969,234	$1,550,036[4]	$0	$ 9,876	$4,275,291
	2008	$800,000	$ 0	$ 0	$ 0	$6,260,949[5]	$0	$ 9,260	$7,070,209
Martin B. Anstice	2010	$425,141	$ 0	$ 999,965	$ 0	$1,385,442[12]	$0	$16,857	$2,827,405
Executive Vice President and Chief Operating Officer	2009	$415,865	$ 0	$ 437,506	$424,050	$ 733,090[13]	$0	$15,767	$2,026,278
	2008	$386,538	$ 0	$ 0	$ 0	$2,523,046[14]	$0	$16,148	$2,925,732
Ernest E. Maddock	2010	$415,693	$ 0	$ 799,959	$ 0	$1,224,780[6]	$0	$17,987	$2,458,419
Senior Vice President and Chief Financial Officer	2009	$412,846	$102,649[22]	$ 399,996	$387,694	$ 687,125[7]	$0	$10,794	$2,001,104
	2008	$405,231	$ 0	$ 0	$ 0	$2,321,232[8]	$0	$14,747	$2,741,210
Richard A. Gottscho	2010	$345,363	$ 28,918[23]	$1,607,108	$ 0	$ 995,312[9]	$0	$41,719	$3,018,420
Senior Vice President, Global Products	2009	$346,154	$ 0	$ 708,913	$305,305	$ 495,880[10]	$0	$14,539	$1,870,791
	2008	$346,538	$ 0	$ 0	$ 0	$ 699,734[11]	$0	$15,496	$1,061,768
Jeffrey Marks	2010	$298,492	$ 29,341[23]	$ 766,269	$ 0	$ 725,636[15]	$0	$39,312	$1,859,050
Vice President and General Manager, Clean Business									
Abdi Hariri [21]	2010	$302,298	$ 41,309[23]	$ 624,986	$ 0	$ 899,574[16]	$0	$48,177	$1,916,344
Group Vice President,	2009	$302,885	$ 0	$ 312,507	$302,899	$ 494,275[17]	$0	$12,167	$1,424,733
Global Operations	2008	$304,904	$ 0	$ 0	$ 0	$1,826,383[18]	$0	$17,959	$2,149,246

(1) The amounts shown in this column represent the value of restricted stock unit awards granted during fiscal 2010 in accordance with ASC 718. However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The assumptions used to calculate the fair value of the restricted stock units in fiscal year 2010 are set forth in Note 11 in the Notes to Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2010. Amounts for FY 2009, including the total amounts, were recomputed to conform to the ASC 718 manner of presentation.

(2) The amounts shown in this column represent the grant date fair value of option awards in accordance with ASC 718. However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The assumptions used to calculate the fair value of the option awards in fiscal year 2010 are set forth in Note 11 in Notes to Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2010. Amounts for FY 2009, including the total amounts, were recomputed to conform to the ASC 718 manner of presentation.

(3) Represents $715,760 earned by Mr. Newberry under the 2009 AIP, $545,650 accrued on Mr. Newberry's behalf for performance during fiscal 2010 under the 2008/2009 MYIP, $1,062,026 accrued on Mr. Newberry's behalf for performance during fiscal 2010 under the 2009/2010 MYIP, and $887,851 accrued on Mr. Newberry's behalf for performance during fiscal 2010 under the 2010/2011 MYIP. Mr. Newberry has received the amounts accrued under the 2008/2009 MYIP, and will be eligible to receive the amounts accrued under the 2009/2010 and 2010/2011 MYIPs if he remains employed by the Company through the respective award determination dates in February 2011 and February 2012.

(4) Represents $300,000 earned by Mr. Newberry under the 2008 AIP, $122,723 accrued on Mr. Newberry's behalf for performance during fiscal 2009 under the 2007/2008 MYIP, $797,313 accrued on Mr. Newberry's behalf for performance during fiscal 2009 under the 2008/2009 MYIP, and $330,000 accrued on Mr. Newberry's behalf for performance during fiscal 2009 under the 2009/2010 MYIP. Mr. Newberry has received the amounts accrued under the 2007/2008 MYIP and the 2008/2009 MYIP, and will be eligible to receive the amounts accrued under the 2009/2010 MYIP if he remains employed by the Company through the payment determination date in February 2011.

(5) Represents $1,427,690 earned by Mr. Newberry pursuant to the 2007 AIP, $1,783,440 accrued on Mr. Newberry's behalf for performance during fiscal 2008 under the 2006/2007 MYIP, $2,173,227 accrued on Mr. Newberry's behalf for performance during fiscal 2008 under the 2007/2008 MYIP, and $876,592 accrued on Mr. Newberry's behalf for performance during fiscal 2008 under the 2008/2009 MYIP. Mr. Newberry has received the amounts accrued under the 2006/2007, 2007/2008, and 2008/2009 MYIPs.

(6) Represents $266,028 earned by Mr. Maddock pursuant to the 2009 AIP, $218,260 accrued on Mr. Maddock's behalf for performance during fiscal 2010 under the 2008/2009 MYIP, $424,811 accrued on Mr. Maddock's behalf for performance during fiscal 2010 under the 2009/2010 MYIP, and $315,681 accrued on Mr. Maddock's behalf for performance during fiscal 2010 under the 2010/2011 MYIP. Mr. Maddock has received the amounts accrued under the 2008/2009 MYIP and will be eligible to receive the amounts accrued under the 2009/2010 and 2010/2011 MYIPs if he remains employed by the Company through the respective payment determination dates in February 2011 and February 2012.

(7) Represents $141,786 earned by Mr. Maddock pursuant to the 2008 AIP, $74,545 accrued on Mr. Maddock's behalf for performance during fiscal 2009 under the 2007/2008 MYIP, $338,794 accrued on Mr. Maddock's behalf for performance during fiscal 2009 under the 2008/2009 MYIP, and $132,000 accrued on Mr. Maddock's behalf for performance during fiscal 2009 under the 2009/2010 MYIP. Mr. Maddock has received the amounts accrued under the 2007/2008 and 2008/2009 MYIPs and will be eligible to receive the amounts accrued under the 2009/2010 MYIP if he remains employed by the Company through the payment determination date in February 2011.

(8) Represents $490,602 earned by Mr. Maddock pursuant to the 2007 AIP, $672,220 accrued on Mr. Maddock's behalf for performance during fiscal 2008 under the 2006/2007 MYIP, $840,595 accrued on Mr. Maddock's behalf for performance during fiscal 2008 under the 2007/2008 MYIP, and $317,815 accrued on Mr. Maddock's behalf for performance during fiscal 2008 under the 2008/2009 MYIP. Mr. Maddock has received the amounts accrued under the 2006/2007, 2007/2008, and 2008/2009 MYIPs.

(9) Represents $222,539 earned by Dr. Gottscho pursuant to the 2009 AIP, $171,880 accrued on Dr. Gottscho's behalf for performance during fiscal 2010 under the 2008/2009 MYIP, $334,538 accrued on Dr. Gottscho's behalf for performance during fiscal 2010 under the 2009/2010 MYIP, and $266,355 accrued on Dr. Gottscho's behalf for performance during fiscal 2010 under the 2010/2011 MYIP. Dr. Gottscho has received the amounts accrued under the 2008/2009 MYIP and will be eligible to receive the amounts accrued under the 2009/2010 and 2010/2011 MYIPs if he remains employed by the Company through the respective payment determination dates in February 2011 and February 2012.

(10) Represents $114,325 earned by Dr. Gottscho pursuant to the 2008 AIP, $277,605 accrued on Dr. Gottscho's behalf for performance during fiscal 2009 under the 2008/2009 MYIP, and $103,950 accrued on Dr. Gottscho's behalf for performance during fiscal 2009 under the 2009/2010 MYIP. Dr. Gottscho has received the amounts accrued under the 2008/2009 MYIPs and will be eligible to receive the amounts accrued under the 2009/2010 MYIP if he remains employed by the Company through the payment determination date in February 2011.

(11) Represents $403,546 earned by Dr. Gottscho pursuant to the 2007 AIP and $296,188 accrued on Dr. Gottscho's behalf for performance during fiscal 2008 under the 2008/2009 MYIP. Dr. Gottscho has received the amounts accrued under the 2008/2009 MYIP.

(12) Represents $287,482 earned by Mr. Anstice pursuant to the 2009 AIP, $238,722 accrued on Mr. Anstice's behalf for performance during fiscal 2010 under the 2008/2009 MYIP, $464,637 accrued on Mr. Anstice's behalf for performance during fiscal 2010 under the 2009/2010 MYIP, and $394,601 accrued on

Mr. Anstice's behalf for performance during fiscal 2010 under the 2010/2011 MYIP. Mr. Anstice has received the amounts accrued under the 2008/2009 MYIP and will be eligible to receive the amounts accrued under the 2009/2010 and 2010/2011 MYIPs if he remains employed by the Company through the respective payment determination dates in February 2011 and February 2012.

(13) Represents $134,831 earned by Mr. Anstice pursuant to the 2008 AIP, $82,152 accrued on Mr. Anstice's behalf for performance during fiscal 2009 under the 2007/2008 MYIP, $371,732 accrued on Mr. Anstice's behalf for performance during fiscal 2009 under the 2008/2009 MYIP, and $144,375 accrued on Mr. Anstice's behalf for performance during fiscal 2009 under the 2009/2010 MYIP. Mr. Anstice has received the amounts accrued under the 2007/2008 and 2008/2009 MYIPs and will be eligible to receive the amounts accrued under the 2009/2010 MYIP if he remains employed by the Company through the payment determination date in February 2011.

(14) Represents $503,258 earned by Mr. Anstice pursuant to the 2007 AIP, $740,813 accrued on Mr. Anstice's behalf for performance during fiscal 2008 under the 2006/2007 MYIP, $926,370 accrued on Mr. Anstice's behalf for performance during fiscal 2008 under the 2007/2008 MYIP, and $352,605 accrued on Mr. Anstice's behalf for performance during fiscal 2008 under the 2008/2009 MYIP. Mr. Anstice has received the amounts accrued under the 2006/2007, 2007/2008, and 2008/2009 MYIPs.

(15) Represents $154,551 earned by Dr. Marks pursuant to the 2009 AIP, $126,864 accrued on Dr. Marks' behalf for performance during fiscal 2010 under the 2008/2009 MYIP, $246,921 accrued on Dr. Marks' behalf for performance during fiscal 2010 under the 2009/2010 MYIP, and $197,300 accrued on Dr. Marks' behalf for performance during fiscal 2010 under the 2010/2011 MYIP. Dr. Marks has received the amounts accrued under the 2008/2009 MYIP and will be eligible to receive the amounts accrued under the 2009/2010 and 2010/2011 MYIPs if he remains employed by the Company through the respective payment determination dates in February 2011 and February 2012.

(16) Represents $170,671 earned by Mr. Hariri pursuant to the 2009 AIP, $150,395 accrued on Mr. Hariri's behalf for performance during fiscal 2010 under the 2008/2009 MYIP, $331,883 accrued on Mr. Hariri's behalf for performance during fiscal 2010 under the 2009/2010 MYIP, and $246,625 accrued on Mr. Hariri's behalf for performance during fiscal 2010 under the 2010/2011 MYIP. Mr. Hariri has received the amounts accrued under the 2008/2009 MYIP and will be eligible to receive the amounts accrued under the 2009/2010 and 2010/2011 MYIPs if he remains employed by the Company through the respective payment determination dates in February 2011 and February 2012.

(17) Represents $87,392 earned by Mr. Hariri pursuant to the 2008 AIP, $60,853 accrued on Mr. Hariri's behalf for performance during fiscal 2009 under the 2007/2008 MYIP, $242,905 accrued on Mr. Hariri's behalf for performance during fiscal 2009 under the 2008/2009 MYIP, and $103,125 accrued on Mr. Hariri's behalf for performance during fiscal 2009 under the 2009/2010 MYIP. Mr. Hariri has received the amounts accrued under the 2007/2008 and 2008/2009 MYIPs and will be eligible to receive the amounts accrued under the 2009/2010 MYIP if he remains employed by the Company through the payment determination date in February 2011.

(18) Represents $332,268 earned by Mr. Hariri pursuant to the 2007 AIP, $548,751 accrued on Mr. Hariri's behalf for performance during fiscal 2008 under the 2006/2007 MYIP, $686,200 accrued on Mr. Hariri's behalf for performance during fiscal 2008 under the 2007/2008 MYIP, and $259,164 accrued on Mr. Hariri's behalf for performance during fiscal 2008 under the 2008/2009 MYIP. Mr. Hariri has received the amounts accrued under the 2006/2007, 2007/2008, and 2008/2009 MYIPs.

(19) Reflects interest earned on deferred compensation, to the extent that the interest rate exceeded 120% of the applicable federal long-term rate.

(20) Please refer to the "All Other Compensation" table, which follows this table, for additional information.

(21) Mr. Hariri was not an executive officer at the end of fiscal 2010. However, he is included as a named executive officer in accordance with Regulation S-K Item 402(a)(3)(iv).

(22) Represents a bonus paid to compensate Mr. Maddock for the increase in exercise price of certain stock options.

(23) Represents a bonus equal to the additional income tax due pursuant to Section 409A for certain stock option awards.

All Other Compensation for Fiscal Year 2010

Name	Fiscal Year	Company Matching Contribution to the Company's Section 401(k) Plan	Company Paid Long-Term Disability Insurance Premiums (1)	Company Paid Life Insurance Premiums (2)	Company Paid Healthcare Insurance Premiums (3)	Tax Gross-Up (4)	Total
Stephen G. Newberry	2010	$ 0	$ 370	$2,262	$8,552	$ 0	$11,184
Martin B. Anstice	2010	$7,579	$ 0	$ 991	$8,287	$ 0	$16,857
Ernest E. Maddock	2010	$7,483	$ 929	$1,652	$7,923	$ 0	$17,987
Richard A. Gottscho	2010	$8,376	$1,174	$2,084	$8,261	$21,824	$41,719
Jeffrey Marks	2010	$7,401	$ 0	$1,481	$8,287	$22,143	$39,312
Abdi Hariri	2010	$7,351	$ 0	$1,098	$8,552	$31,176	$48,177

(1) Represents the portion of supplemental long-term disability insurance premiums paid by the Company.

(2) Represents the portion of life insurance premiums paid by the Company.

(3) Represents the portion of executive dental and executive medical reimbursement insurance premiums paid by the Company.

(4) Represents a gross-up for a bonus received due to the additional income tax on certain stock option awards.

Grants of Plan-Based Awards for Fiscal Year 2010

Name	Award Type	Grant Date	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards: Target ($) (1)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards: Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards Target (#) (3)	All Other Stock Awards: Number of Shares of Stock or Units (#) (4)	All Other Option Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards ($) (5)
Stephen G. Newberry . . .	Annual Incentive Program	N/A	2/1/2010	$1,275,000	$2,869,000	0	0	0	$ 0
	LTIP—Equity Component	2/5/2010	2/1/2010	$ 0	$ 0	33,793	33,793	0	$2,249,938
	LTIP—MYIP Component	N/A	2/1/2010	$2,250,000	$5,625,000	0	0	0	$ 0
Martin B. Anstice.	Annual Incentive Program	N/A	2/1/2010	$ 394,000	$ 887,000	0	0	0	$ 0
	LTIP—Equity Component	2/5/2010	2/1/2010	$ 0	$ 0	15,019	15,019	0	$ 999,965
	LTIP—MYIP Component	N/A	2/1/2010	$1,000,000	$2,500,000	0	0	0	$ 0
Ernest E. Maddock	Annual Incentive Program	N/A	2/1/2010	$ 363,000	$ 817,000	0	0	0	$ 0
	LTIP—Equity Component	2/5/2010	2/1/2010	$ 0	$ 0	12,015	12,015	0	$ 799,959
	LTIP—MYIP Component	N/A	2/1/2010	$ 800,000	$2,000,000	0	0	0	$ 0
Richard A. Gottscho. . . .	Annual Incentive Program	N/A	2/1/2010	$ 297,000	$ 668,000	0	0	0	$ 0
	LTIP—Equity Component	2/5/2010	2/1/2010	$ 0	$ 0	10,138	10,138	0	$ 674,988
	LTIP—MYIP Component	N/A	2/1/2010	$ 675,000	$1,687,500	0	0	0	$ 0
	Performance-Based RSU (2)	2/5/2010	2/1/2010	$ 0	$ 0	28,000	0	0	$ 932,120
Jeffrey Marks	Annual Incentive Program	N/A	2/1/2010	$ 228,000	$ 513,000	0	0	0	$ 0
	LTIP—Equity Component	2/5/2010	2/1/2010	$ 0	$ 0	7,509	7,509	0	$ 499,949
	LTIP—MYIP Component	N/A	2/1/2010	$ 500,000	$1,250,000	0	0	0	$ 0
	Performance-Based RSU (2)	2/5/2010	2/1/2010	$ 0	$ 0	8,000	0	0	$ 266,320
Abdi Hariri	Annual Incentive Program	N/A	2/1/2010	$ 244,000	$ 549,000	0	0	0	$ 0
	LTIP—Equity Component	2/5/2010	2/1/2010	$ 0	$ 0	9,387	9,387	0	$ 624,986
	LTIP—MYIP Component	N/A	2/1/2010	$ 625,000	$1,562,500	0	0	0	$ 0

(1) Base salary used to calculate the AIP target was base salary approved in February 2010. Actual eligible base earnings under the AIP could be different.

(2) Represents a performance-based RSU program with a single estimated payout. Amount shown is for performance awards granted during fiscal year 2010.

(3) Represents RSUs with performance-based vesting.

(4) Represents RSUs with time-based vesting.

(5) The amounts shown in this column represent the value of restricted stock unit awards granted during fiscal 2010 in accordance with ASC 718. However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The assumptions used to calculate the fair value of the restricted stock units in fiscal year 2010 are set forth in Note 11 in the Notes to Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2010.

Outstanding Equity Awards at 2010 Fiscal Year-End

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) (16)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (16)
Stephen G. Newberry [8] . . .	0	0	$ 0	N/A	49,480[5]	$ 1,991,570	0	$ 0
	0	0	$ 0	N/A	33,793[9]	$ 1,360,168	33,793[10]	$ 1,360,168
	0	123,700[2]	$ 20.21	2/26/2014	0	$ 0	0	$ 0
Martin B. Anstice	0	0	$ 0	N/A	21,648[5]	$ 871,332	0	$ 0
	0	0	$ 0	N/A	15,019[9]	$ 604,515	15,019[10]	$ 604,515
	849[1]	0	$ 16.64	10/1/2011	0	$ 0	0	$ 0
	0	54,120[2]	$ 20.21	2/26/2014	0	$ 0	0	$ 0
	2,000[4]	0	$ 24.25	3/19/2011	0	$ 0	0	$ 0
Ernest E. Maddock	0	0	$ 0	N/A	19,792[5]	$ 796,628	0	0
	0	0	$ 0	N/A	12,015[9]	$ 483,604	12,015[10]	$ 483,604
	2,050[1]	0	$ 16.64	10/1/2011	0	$ 0	0	$ 0
	0	49,480[2]	$ 20.21	2/26/2014	0	$ 0	0	$ 0
	1,000[3]	0	$ 24.19	12/24/2011	0	$ 0	0	$ 0
Richard A. Gottscho	0	0	$ 0	N/A	0	$ 0	8,000[7]	$ 322,000
	0	0	$ 0	N/A	0	$ 0	28,000[11]	$ 1,127,000
	0	0	$ 0	N/A	10,138[9]	408,055	10,138[10]	$ 408,055
	0	0	$ 0	N/A	5,000[6]	$ 201,250	0	$ 0
	0	0	$ 0	N/A	15,586[5]	$ 627,337	0	$ 0
	0	38,965[2]	$ 20.21	2/26/2014	0	$ 0	0	$ 0
Jeffrey Marks	0	0	$ 0	N/A	0	$ 0	1,000[12]	$ 40,250
	0	0	$ 0	N/A	0	$ 0	8,000[7]	$ 322,000
	0	0	$ 0	N/A	0	$ 0	2,000[13]	$ 80,500
	0	0	$ 0	N/A	0	$ 0	6,000[14]	$ 241,500
	0	0	$ 0	N/A	0	$ 0	8,000[15]	$ 322,000
	0	0	$ 0	N/A	7,509[9]	$ 302,237	7,509[10]	$ 302,237
	0	0	$ 0	N/A	5,000[6]	$ 201,250	0	$ 0
	0	0	$ 0	N/A	11,504[5]	$ 463,036	0	$ 0
	0	28,760[2]	$ 20.21	2/26/2014	0	$ 0	0	$ 0
Abdi Hariri	0	0	$ 0	N/A	15,463[5]	$ 622,386	0	$ 0
	0	0	$ 0	N/A	9,387[9]	$ 377,827	9,387[10]	$ 377,827
	1,000[1]	0	$ 16.14	10/1/2011	0	$ 0	0	$ 0
	822[1]	0	$ 16.64	10/1/2011	0	$ 0	0	$ 0
	0	38,658[2]	$ 20.21	2/26/2014	0	$ 0	0	$ 0

(1) Options were granted on October 1, 2001. 100% of the options vested on October 1, 2006.

(2) Options were granted on February 26, 2009. 100% of the options will vest on February 26, 2011 provided that the person remains an employee on such date.

(3) Options were granted on December 24, 2001. 100% of the options vested on December 24, 2006.

(4) 36,000 options were originally granted on March 19, 2001. The options vested 25% each on March 19, 2002, March 19, 2003, March 19, 2004 and March 19, 2005.

(5) RSUs were granted on February 26, 2009. 100% of the RSUs will vest on February 26, 2011 provided that the person remains an employee on such date.

(6) RSUs were granted on November 25, 2008. 100% of these RSUs will vest on December 30, 2010 provided that the person remains an employee on such date.

(7) Two RSU awards were granted on August 26, 2008 and are subject to performance criteria and service period. 50% of the RSUs will vest on August 25, 2010 and 50% of the awards will vest on March 27, 2011, provided that the performance criteria have been met and the person remains an employee on such dates.

(8) In accordance with an agreement between the Company and Mr. Newberry, an option for 5,250 shares which was granted on October 1, 2001 and reflected in the Company's 2009 fiscal year proxy statement, was cancelled.

(9) RSUs were granted on February 5, 2010. 100% of the RSUs will vest on February 5, 2012 provided that the person remains an employee on such date.

(10) RSUs were granted on February 5, 2010 and are subject to performance criteria and continued service. 100% of the RSUs will vest on February 5, 2012 provided that the performance criterion has been met and the person remains an employee on such date.

(11) Three RSU awards were granted on February 5, 2010 and are subject to performance criteria and continued service. 4,000 RSUs will vest on March 27, 2011, 20,000 RSUs will vest on June 26, 2011 and 4,000 RSUs will vest on March 25, 2012, provided that the performance criteria have been met and the person remains an employee on such dates.

(12) 5,000 RSUs were granted on May 12, 2006 and are subject to performance criteria and continued service. 4,000 RSUs vested on May 12, 2009 and 1,000 RSUs will vest on May 12, 2011, provided that the performance criteria have been met and the person remains an employee on such dates.

(13) RSUs were granted on August 26, 2008 and are subject to performance criteria and continued service. 100% of the RSUs will vest on March 27, 2011, provided that the performance criteria have been met and the person remains an employee on such date.

(14) RSUs were granted on October 27, 2008 and are subject to performance criteria and continued service. 100% of the RSUs will vest on March 27, 2011 provided that the performance criteria have been met and the person remains an employee on such date.

(15) Two RSU awards were granted on February 5, 2010 and are subject to performance criteria and continued service. 4,000 RSUs will vest on March 27, 2011 and 4,000 RSUs will vest on March 25, 2012, provided that the performance criteria have been met and the person remains an employee on such dates.

(16) Calculated by multiplying the number of unvested shares by $40.25, the closing price per share of our common stock on June 25, 2010.

Option Exercises and Stock Vested for Fiscal 2010

There were no option exercises or vesting of restricted stock units during fiscal year 2010.

Non-Qualified Deferred Compensation for Fiscal 2010

Name	Executive Contributions in FY10 ($)	Registrant Contributions in FY10 ($) (1)	Aggregate Earnings in FY10 ($) (2)	Aggregate Withdrawals/ Distributions in FY10 ($)	Aggregate Balance at FYE10 ($)
Stephen G. Newberry	$ 0	$0	$ 58,883	$ 0	$1,167,024
Martin B. Anstice	$ 72,115	$0	$129,103	$ 0	$1,139,108
Ernest E. Maddock	$ 87,153	$0	$717,610	$ 0	$7,978,764
Richard A. Gottscho	$ 34,892	$0	$ 67,985	$ 0	$1,435,521
Jeffrey Marks	$ 0	$0	$ 69,777	$ 0	$1,713,263
Abdi Hariri	$158,373	$0	$ 72,599	$(1,764,990)	$ 361,407

(1) Represents the amount that the Company credited to the Elective Deferred Compensation Plan ("EDCP"), which is equal to any matching contribution into the Section 401(k) Plan that an executive would have been entitled to but did not receive as a result of compensation deferrals into the EDCP.

(2) The NEOs did not receive above-market or preferential earnings in fiscal 2010.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of June 27, 2010, regarding securities authorized for issuance under the Company's equity compensation plans. The equity compensation plans of the Company include the 1991 Stock Option Plan, the 1997 Stock Incentive Plan, the 1999 Stock Option Plan, the 1999 Employee Stock Purchase Plan, and the 2007 Stock Incentive Plan, each as may be amended.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights (5) (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	3,379,187(1)(2)	$21.40	18,086,805(3)
Equity compensation plans not approved by security holders	247,000(4)	$22.16	0
Total	3,626,187	$21.61	18,086,805

(1) Includes 165,175 shares issuable under the Company's 1991 Stock Option Plan and 1997 Stock Incentive Plan, both of which expired prior to June 27, 2010. While there are options still outstanding that were issued pursuant to those plans, no additional grants may be made under them.

(2) Includes 3,214,012 shares issuable under the Company's 2007 Stock Incentive Plan, as amended (the "2007 Plan"). The 2007 Plan was adopted by the Board in August 2006, approved by the Company's stockholders in November 2006, and amended by the Board in November 2006. The term of the 2007 Plan is ten years from the latest date of any approval, amendment, or restatement of the Plan by the Company's stockholders. The 2007 Plan reserves for issuance up to 15,000,000 shares of the Company's common stock.

(3) Includes 8,499,066 shares available for future issuance under the 1999 Employee Stock Purchase Plan, as amended (the "1999 ESPP"). This number does not include shares that may be added to the 1999 ESPP share reserve in the future in accordance with the terms of the 1999 ESPP. The term of the 1999 ESPP is twenty years from its effective date of September 30, 1998, unless otherwise terminated or extended in accordance with its terms.

(4) Includes shares issuable under the Company's 1999 Stock Option Plan (the "1999 Option Plan"). The 1999 Option Plan expired in November 2008.

(5) Does not include restricted stock units (RSUs).

PROPOSAL NO. 2
APPROVAL OF 2004 EXECUTIVE INCENTIVE PLAN, AS AMENDED AND RESTATED

On May 20, 2010, the Compensation Committee amended and restated the Lam 2004 Executive Incentive Plan (as so amended and restated, the "Revised Plan"). At that time, the Compensation Committee also recommended that the Revised Plan be resubmitted for approval of the material terms by our stockholders at the 2010 stockholders' meeting to qualify as deductible "performance based compensation" for purposes of Section 162(m) ("Section 162(m)") of the Internal Revenue Code ("Code"). One of the requirements of "performance-based compensation" for purposes of Section 162(m) is that the compensation be paid pursuant to a plan that has had its material terms approved by the company's stockholders, and that the plan be re-approved by the company's stockholders no later than the first stockholders' meeting that occurs in the fifth year following the year in which the stockholders previously approved the material terms of the plan. We are now requesting stockholder approval of the terms of the Revised Plan for purposes of compliance with Section 162(m) and to allow awards under the Revised Plan to be deductible as "performance based compensation" under Section 162(m).

The Revised Plan provides for performance-based incentive compensation that is payable to selected members of the Company's senior management if the Company achieves specified corporate, financial or other business goals. We believe it is in the best interests of the Company and its stockholders for the Company to have a stockholder-approved bonus plan such as the Revised Plan that allows the Company both to provide members of senior management with a strong incentive to meet or exceed specified financial and business goals and to be able to fully deduct amounts paid under the plan for U.S. federal corporate income tax purposes. Without stockholder approval, however, Section 162(m) would limit the amount the Company can deduct as compensation paid to certain executive officers for awards under the Revised Plan.

If the Revised Plan is approved by stockholders, awards will qualify as performance-based compensation under Section 162(m).

BACKGROUND

General Information. The 2004 Executive Incentive Plan (prior to its amendment and restatement in May 2010, the "Prior Plan") was initially adopted by Lam's stockholders in November 2003. In November 2005, the Prior Plan was amended by Lam's stockholders to allow the Company to issue performance-based stock awards in addition to cash payments and to revise the business criteria from which the Compensation Committee can select in establishing the business goals that must be achieved in order for a participant to earn an award under the Prior Plan. In November 2006, Lam's stockholders also approved an amendment to increase the limit on the aggregate amount of cash awards paid under the Prior Plan to any one participant with respect to specified performance goals for any twelve-month measurement period from $2 million to $12 million.

Programs. We currently operate two incentive compensation programs, the Annual Incentive Program ("AIP") and the Long-Term Incentive Program ("LTIP") under the Prior Plan. The AIP and LTIP are described above under the Compensation Discussion and Analysis.

If we operate more than one compensation program at a time under the Prior Plan or the Revised Plan, as we currently do with the AIP and the LTIP, the criteria and the aggregate cash payable to any individual in a given twelve-month period under all programs operated under the Prior Plan or the Revised Plan must not exceed the applicable plan limits.

DESCRIPTION OF THE AMENDMENTS

The Compensation Committee made two amendments to the Prior Plan in May 2010 when amending and restating it to become the Revised Plan. The first amendment increases the maximum aggregate amount of cash awards payable under the Revised Plan to any one participant with respect to specified performance goals for any twelve-month measurement period from $12 million to $15 million. The second amendment revises the business criteria which may be used to establish performance goals for participants in the Plan.

Increasing the Revised Plan's maximum award limit is intended to support and help achieve one of the objectives set by the Compensation Committee, specifically to structure cost-effective compensation programs to take into account the accounting treatment and tax deductibility of compensation expense. See "Executive Compensation Philosophy" in the Compensation Discussion and Analysis ("CD&A") section in Proposal No. 1, above. The maximum award limit under the Prior Plan of $12,000,000 is likely to remain adequate so long as our compensation programs include both cash and equity components (as is the case under our current programs). However, the Compensation Committee is concerned that if, for competitive, regulatory or other reasons, it becomes advisable to move to an all-cash program, the existing maximum cash award limit might not be sufficient to permit the full deductibility of all awards, when considered over the next five-year period. The Committee believes that it exercises appropriate judgment in determining award programs by following the principles described under "Executive Compensation Philosophy," as further articulated by the practices described throughout the CD&A. Among these are referring to competitive peer group practices, making performance-based awards under the Annual Incentive Program, making performance-based awards for 75% of the target awards under the Long-Term Incentive Program, and seeking the advice of an independent compensation adviser. Therefore, the Committee believes that increasing the maximum award limit as provided in the Revised Plan, which will enhance the tax deductibility of potential awards, is in the best interests of the stockholders.

Revising the business criteria is intended to conform the performance criteria under the Revised Plan to the criteria that have been established under the Company's other compensation and benefit plans and programs. By doing so, the Compensation Committee intends to simplify administration of the various plans. The revisions do not significantly alter the criteria specified and used for awards under the Prior Plan.

SUMMARY OF THE REVISED PLAN

The following is a summary of material terms of the Revised Plan, and is qualified in its entirety by reference to the full text of the Revised Plan, which is attached to this Proxy Statement as Appendix A.

Administration. The Compensation Committee administers the Revised Plan. The Compensation Committee is composed solely of at least two "outside directors" as defined under Section 162(m).

Eligible Employees. All members of senior management of the Company and its affiliates (currently approximately 13 persons) are eligible to be selected for participation. For purposes of the Revised Plan, "senior management" is defined as any officers who are subject to Section 16(a) of the Securities Exchange Act or who are otherwise designated as eligible by the Compensation Committee.

Maximum Potential Incentive Compensation Awards. Cash awards paid to any one participant under the Revised Plan in respect of performance goals for any twelve-month measurement period shall not exceed $15,000,000; provided, however, that (a) in the event of a measurement period of longer or shorter duration than twelve months, the $15,000,000 limit will be increased or decreased, respectively, on a proportionate basis; and (b) receipt by a participant of payment of an award amount earned with respect to a measurement period in a later period, whether through elective deferral by the participant or a deferral included as part of the award structure, does not affect application of the $15,000,000 cash limit to the participant during the later period.

Stock awards or restricted stock unit awards granted to any one participant in any one calendar year (which may vest over multiple years) under the Revised Plan shall not exceed 300,000 shares of the Company's common stock. Any stock awards or restricted stock unit awards may be made from and with the terms permitted under any stock option, equity incentive or similar plan adopted by the Company's Board of Directors and approved by its stockholders. Currently, equity awards under the Revised Plan are made under the Company's 2007 Stock Incentive Plan.

Performance Goals. Payment under the Revised Plan will be based on the Company's attainment of performance goals based on one or more of the business criteria listed below. These goals may be designated either individually, alternatively or in any combination; applied to the Company as a whole or to one or more business units, affiliates or business segments, either individually, alternatively or in any combination; and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group; in each case, as specified by the Compensation Committee in the applicable award. Goals may include actual, growth, or performance-to-target goals.

The potential performance goals under the Revised Plan include:

(i) cash flow, including free cash flow;

(ii) earnings (including revenue, gross margin, operating income, earnings before interest and taxes, earnings before taxes, and net earnings) or earnings per share;

(iii) stock price;

(iv) return on equity or average shareholders' equity;

(v) total stockholder return, either actual or relative to share price or market capitalization;

(vi) return on capital;

(vii) return on assets or net assets;

(viii) return on investment or invested capital;

(ix) return on operating revenue;

(x) income, net income, operating income, net operating income, operating income, net operating income, or operating margin (with or without regard to amortization/impairment of goodwill);

(xi) market share or applications won;

(xii) operational performance, including orders, backlog, deferred revenues, revenue per employee, overhead, days sales outstanding, inventory turns, or other expense levels;

(xiii) stockholder value or return relative to the moving average of the S&P 500 Index or a peer group index;

(xiv) asset turns; and

(xv) strategic plan development and implementation (including individually designed goals and objectives that are consistent with the participant's specific duties and responsibilities and that are designed to improve the organizational performance of the Company, an affiliate, or a specific business unit thereof and that are consistent with and derived from the strategic operating plan of the Company, an affiliate or any of their business units for the applicable performance period).

Establishment of Award. The Compensation Committee will establish the terms of the awards including (i) the length of the measurement period; (ii) the specific business criterion or criteria, or combination thereof, that will be used; (iii) the specific performance targets that will be used for the selected business criterion or criteria; (iv) any special adjustments that will be applied in calculating whether the performance targets have been met to factor out extraordinary items; (v) the formula for calculating compensation eligible for payment under the Revised Plan in relation to the performance targets; (vi) the eligible employees who will participate in the Revised Plan for that measurement period; and (vii) if applicable, the target amounts for each participant for the measurement period.

The Compensation Committee will establish these criteria in writing no later than 90 days after the start of each measurement period, on or before 25% of the measurement period has elapsed, and while the outcome is substantially uncertain.

Determination of Attainment of Performance Goals. The Compensation Committee will determine the amounts to be paid to each employee for each measurement period or the extent to which awards vest. The Compensation Committee will certify in writing before payments are made the extent to which the goals were met and payments amounts. The Compensation Committee does not have discretion to increase the amount of an award or accelerate the vesting of an award if such action would cause the award or any part thereof to not be deductible under the Internal Revenue Code. The Compensation Committee may exercise negative discretion in a manner consistent with Section 162(m).

All cash payments for awards will be made on or before March 15th of the year following the year in which the measurement period ends, unless a valid deferral election is made which complies with Section 409A of the Code.

Amendment and Termination. The Compensation Committee may amend or terminate the Revised Plan on a prospective basis at any time although it does not have the power to amend the Revised Plan in any fashion that would cause the Revised Plan to fail to qualify as performance-based compensation with respect to any “covered employee” under Section 162(m) of the Code.

New Plan Benefits. It is not possible to determine specific amounts of awards that may be granted in the future under the Revised Plan because the grant and actual payout of awards will be discretionary and subject to Company performance.

FEDERAL INCOME TAX CONSIDERATIONS

The following is a brief summary of the U.S. federal income tax consequences with respect to operation of the Revised Plan. It does not purport to be complete and does not discuss the tax consequences arising in connection with a participant’s death or under any tax law other than U.S. federal income tax law.

All cash amounts paid pursuant to the Revised Plan constitute taxable income to the employee when received. If an employee elects to defer a portion of a Revised Plan bonus, he or she may be entitled to defer receipt of the bonus payment year in a manner that complies with Section 409A of the Code and the recognition of income to a later year.

If a participant receives unrestricted shares in payment of an award under the Revised Plan (pursuant to the 2007 Stock Incentive Plan), the payment generally will be subject to tax at ordinary income rates on the fair market value of the shares at such time.

If a participant receives restricted stock units in payment of an award under the Revised Plan (pursuant to the 2007 Stock Incentive Plan), no income generally will be recognized upon the award of such restricted stock units. The recipient of a restricted stock unit award generally will be subject to tax at ordinary income rates on the fair market value of common shares on the date that such shares are transferred to the participant under the award, and the capital gains/loss holding period for such shares will also commence on such date.

Generally, the Company will receive a federal income tax deduction corresponding to the amount of income recognized by a participant in the Plan.

Vote Required to Approve Proposal No. 2; Board Recommendation

Stockholder approval of Proposal No. 2 requires the affirmative vote of a majority of the shares present and cast on the matter, in person or by proxy, at the Annual Meeting.

THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE “FOR” THE APPROVAL OF THE 2004 EXECUTIVE INCENTIVE PLAN, AS AMENDED AND RESTATED.

PROPOSAL NO. 3
RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders are being asked to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2011. Ernst & Young LLP has been the Company's independent registered public accounting firm (independent auditor) since fiscal year 1981.

Approval of Proposal No. 3 will require the affirmative vote of a majority of the outstanding shares of Common Stock present or represented and voting on the Proposal at the Annual Meeting. Each proxy received by the Proxy Holders will be voted "FOR" the ratification of the appointment of Ernst & Young LLP, unless the stockholder provides other instructions.

Ernst & Young LLP's audit services for the Company during fiscal 2010 included examining Lam's consolidated financial statements and its system of internal control over financial reporting, as well as providing services related to Lam's filings with the SEC and other regulatory bodies. Audit-related services during fiscal 2010 related primarily to review of international tax structures and the implementation of new accounting pronouncements.

Our Audit Committee meets periodically with Ernst & Young LLP to review both audit and non-audit services performed by Ernst & Young LLP, as well as the fees charged for those services. Among other things, the Committee examines the effect that the performance of non-audit services, if any, may have upon the independence of the independent registered public accounting firm. All professional services provided by Ernst & Young LLP, including non-audit services, if any, are subject to approval by the Audit Committee in accordance with applicable securities laws, rules, and regulations. For more information, see the *"Audit Committee Report"* and the "*Relationship with Independent Registered Public Accounting Firm*" sections elsewhere in this Proxy Statement.

A representative of Ernst & Young LLP is expected to be present at the Annual Meeting and will have an opportunity to make a statement if he or she so desires. The representative will also be available to respond to appropriate questions from the stockholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL NO. 3.

AUDIT COMMITTEE REPORT

The Company's management, Audit Committee and independent registered public accounting firm (Ernst & Young LLP) have specific but different responsibilities relating to Lam's financial reporting. Lam's management is responsible for the financial statements and for the system of internal control and the financial reporting process. Ernst & Young LLP has the responsibility to express an opinion on the financial statements and the system of internal control over financial reporting, based on the audit they conducted in accordance with the standards of the Public Company Accounting Oversight Board (U.S.). The Audit Committee is responsible for monitoring and overseeing these processes.

In this context and in connection with the audited financial statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2010, the Audit Committee took the following actions:

- Reviewed and discussed the audited financial statements with Company management
- Discussed with Ernst & Young LLP the matters required to be discussed by Rule AU380 of the Public Company Accounting Oversight Board ("PCAOB"), *"Communication with Audit Committees"*
- Reviewed the written disclosures and the letter from Ernst & Young LLP, required by Rule 3526 of the PCAOB, *"Communication with Audit Committees Concerning Independence,"* and discussed with Ernst & Young LLP its independence
- Based on the foregoing reviews and discussions, recommended to the Board of Directors that the audited financial statements be included in the Company's 2010 Annual Report on Form 10-K for the fiscal year ended June 27, 2010 for filing with the SEC

This Audit Committee Report shall not be deemed "filed" with the SEC for purposes of federal securities law, and it shall not, under any circumstances, be incorporated by reference into any of the Company's past or future SEC filings. The Report shall not be deemed soliciting material.

AUDIT COMMITTEE
David G. Arscott
Richard J. Elkus Jr.
Catherine P. Lego (Chair)

RELATIONSHIP WITH
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP has audited the Company's consolidated financial statements since the Company's inception.

Fees Billed by Ernst & Young LLP

The table below shows the fees billed by Ernst & Young LLP for audit and other services provided to the Company in fiscal years 2010 and 2009.

Services / Type of Fee	Fiscal Year 2010	Fiscal Year 2009
Audit Fees[1]	$2,266,000	$2,380,000
Audit-Related Fees[2]	84,500	266,000
Tax Fees[3]	—	12,000
All Other Fees	—	—
TOTAL	$2,350,500	$2,658,000

(1) Audit fees represent fees for professional services provided in connection with the audits of annual financial statements, reviews of quarterly financial statements, and audit services related to other statutory or regulatory filings or engagements. In addition, audit fees include those fees related to Ernst & Young LLP's audit of the effectiveness of the Company's internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act.

(2) Audit-related fees consist of assurance and related services that are reasonably related to the audit or review of the Company's financial statements and are not reported above under "Audit Fees." For fiscal 2010, these fees related primarily to audit review of international tax structures, review of correspondence with the SEC, implementation of new accounting pronouncements, and consultations concerning financial accounting and reporting standards that are not part of the performance of the audit or review of the financial statements. For fiscal 2009, these fees related primarily to audit review of international tax structures, goodwill accounting and implementation of new accounting pronouncements.

(3) Tax fees represent fees for services primarily related to international tax compliance.

The Audit Committee reviewed summaries of the services provided by Ernst & Young LLP and the related fees during fiscal year 2010 and has determined that the provision of non-audit services was compatible with maintaining the independence of Ernst & Young LLP as the Company's independent registered public accounting firm. The Audit Committee approved 100% of the services and related fee amounts for services provided by Ernst & Young LLP during fiscal year 2010.

Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services

It is the responsibility of the Audit Committee to approve, in accordance with Sections 10A(h) and (i) of the Exchange Act and the rules and regulations of the SEC, all professional services, to be provided to the Company by its Independent Registered Public Accounting Firm, provided that the Audit Committee shall not approve any non-audit services proscribed by Section 10A(g) of the Exchange Act in the absence of an applicable exemption.

It is the policy of the Company that the Audit Committee pre-approves all audit and permissible non-audit services provided by the Company's independent registered public accounting firm, consistent with the criteria set forth in the Audit Committee Charter and applicable laws and regulations. The Committee has delegated to the Chair of the Committee the authority to pre-approve such services, provided that the Chair shall report any decisions to pre-approve such services to the full Audit Committee at its next regular meeting. These services may include audit services, audit-related services, tax services, and other services. The Company's independent registered public accounting firm and Company management are required to periodically report to the Audit Committee regarding the extent of services provided by the Company's independent registered public accounting firm pursuant to any such pre-approval.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

No family relationships exist or existed during fiscal 2010 among any of the Company's directors and executive officers. No related-party transactions occurred during fiscal 2010.

OTHER MATTERS

We are not aware of any other matters to be submitted to the Annual Meeting. If any other matters properly come before the Annual Meeting, the Proxy Holders intend to vote the shares they represent as the Board of Directors may recommend or, if the Board does not make a recommendation, as the Proxy Holders decide in their reasonable judgment.

It is important that your stock holdings be represented at the meeting, regardless of the number of shares you hold. We urge you to complete and return the accompanying proxy card in the enclosed envelope, or vote your shares by telephone or Internet, as described in the materials accompanying this Proxy Statement.

By Order of the Board of Directors,

George M. Schisler, Jr.
Secretary

Fremont, California
Dated: October 4, 2010

APPENDIX A

LAM RESEARCH CORPORATION
2004 EXECUTIVE INCENTIVE PLAN

Amended and Restated
Effective as of May 20, 2010

The Compensation Committee (the “Compensation Committee”) of the Board of Directors of Lam Research Corporation (“Company”) hereby adopts this amended and restated version of the 2004 Executive Incentive Plan (“Plan”), effective as of May 20, 2010.

1. Purpose.

The purpose of the Plan is to provide performance-based incentive compensation in the form of cash payments or stock awards to executive officers and senior management of the Company and any affiliates which might subsequently adopt the Plan. The Plan is intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code (“Section 162(m)”).

2. Administration.

The Plan has been established by, and shall be administered by, the Compensation Committee. The Compensation Committee is composed solely of 2 or more outside directors as defined in Section 162(m) and, therefore, qualifies as an independent compensation committee under Section 162(m).

3. Stockholder Approval.

The Plan shall initially be effective if, and only if, the Company’s stockholders, by a majority of the votes considered present or represented and entitled to vote with respect to this matter, approve the material terms of the Plan, specifically, the employees eligible to receive compensation under the Plan; the business criteria on which the performance goals may be based; and the maximum amount of compensation that may be paid to any employee under the Plan in any year. No compensation or award will be paid and vested under the Plan until after this approval is obtained. To the extent necessary for the Plan to qualify as performance-based compensation under Section 162(m) or its successor under then applicable law, these material terms of the Plan shall be disclosed to and reapproved by the stockholders no later than the first stockholder meeting that occurs in the fifth year following the year in which stockholders previously approved the material terms of the Plan.

4. Participants.

For each measurement period (which may but need not be a fiscal year), the Compensation Committee will choose, in its sole discretion, those eligible employees who will participate in the Plan during that measurement period and will be eligible to receive payment under the Plan for that measurement period.

- *a)* ***Eligible Employees.*** Persons who are eligible to participate in the Plan are all members of senior management of the Company and its affiliates. For purposes of the Plan, senior management is defined as any officer who is subject to the reporting rules of Section 16(a) of the Securities Exchange Act of 1934, or who is designated as eligible for the Plan by the Compensation Committee in its discretion.
- *b)* ***Employment Criteria.*** In general, to participate in the Plan an eligible employee must be continuously employed by the Company or an affiliate for the entire measurement period. The foregoing notwithstanding: (i) if an otherwise eligible employee joins the Company or an affiliate during the measurement period, the Compensation Committee may, in its discretion, add the employee to the Plan for the partial measurement period, and (ii) if the employment of an otherwise eligible employee ends before the end of the measurement period because of death, disability or termination of employment (as determined in the discretion of the Compensation Committee), the employee shall be paid a pro-rata portion of the compensation, if any, that otherwise would have been payable under the Plan based upon the actual achievement of the performance goals applicable during the

measurement period in which termination of employment occurs, unless the Committee determines in its sole discretion that payment is not appropriate. If a participant is on unpaid leave status for any portion of the measurement period, the Compensation Committee, in its discretion, may reduce the participant's payment on a pro-rata basis.

All determinations under the Plan, including those related to interpretation of the Plan, eligibility, or the payment or pro-ration of any payment shall be made by the Compensation Committee pursuant to the above terms, and those determinations shall be final and binding on all employees.

5. Awards.

The Compensation Committee shall determine the size and terms of an individual award that can be made in cash or stock. Stock awards may be made from and in such forms permitted under any stock option, equity incentive or similar plan adopted by the Company's Board of Directors and approved by its stockholders. The stock awards shall be granted and/or vested based upon the attainment of performance goals as set forth in Section 6.

6. Business Criteria on Which Performance Goals Shall be Based.

Payment under the Plan shall be based on the Company's attainment of performance goals based on one or more of the following business criteria: Either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit, affiliate or business segment, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Compensation Committee in the award, and may include actual, growth, or performance-to-target for: (i) cash flow, including free cash flow; (ii) earnings (including revenue, gross margin, operating profit, earnings before interest and taxes, earnings before taxes, and net earnings) or earnings per share; (iii) stock price; (iv) return on equity or average shareholders' equity; (v) total stockholder return, either actual or relative to share price or market capitalization; (vi) return on capital; (vii) return on assets or net assets; (viii) return on investment or invested capital; (ix) return on operating revenue; (x) income, net income, operating income, net operating income, operating profit, net operating profit, or operating margin (with or without regard to amortization/ impairment of goodwill); (xi) market share or applications won; (xii) operational performance, including orders, backlog, deferred revenues, revenue per employee, overhead, days sales outstanding, inventory turns, or other expense levels; (xiii) stockholder value or return relative to the moving average of the S&P 500 Index or a peer group index; (xiv) asset turns; and (xv) strategic plan development and implementation (including individually designed goals and objectives that are consistent with the participant's specific duties and responsibilities and that are designed to improve the organizational performance of the Company, an affiliate, or a specific business unit thereof and that are consistent with and derived from the strategic operating plan of the Company, an affiliate or any of their business units for the applicable performance period). The Compensation Committee may appropriately adjust any evaluation of performance under the business criteria to exclude any of the following events that occurs during a performance period: (A) asset write-downs; (B) litigation or claim judgments or settlements; (C) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; (D) accruals for reorganization and restructuring programs; and (E) any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to shareholders for the applicable year.

7. Establishing Performance Goals.

The Compensation Committee shall establish, for each measurement period:

a) the length of the measurement period;

b) the specific business criterion or criteria, or combination thereof, that will be used;

c) the specific performance targets that will be used for the selected business criterion or criteria;

d) any special adjustments that will be applied in calculating whether the performance targets have been met to factor out extraordinary items;

e) the formula for calculating compensation eligible for payment under the Plan in relation to the performance targets;

f) the eligible employees who will participate in the Plan for that measurement period; and

g) if applicable, the target amounts for each participant for the measurement period.

The Compensation Committee shall make these determinations in writing no later than 90 days after the start of each measurement period, on or before 25% of the measurement period has elapsed, and while the outcome is substantially uncertain. Cash awards paid to any one participant under the Plan in respect of performance goals for any twelve-month measurement period shall not exceed $15,000,000; provided however that (a) in the event a measurement period of longer or shorter duration than twelve-months, this limit will be increased or decreased, respectively, on a proportionate basis; and (b) receipt by a participant of payment until a later period of an award amount earned with respect to a measurement period, either through elective deferral by the participant or a deferral included as part of the award structure, shall not affect application of the above cash limit to the participant during the later period. Stock awards or restricted stock unit awards granted to any one participant in any one calendar year (which may vest over multiple years) under the Plan shall not exceed 300,000 shares of the Company's common stock. The 300,000 shares shall be adjusted in the discretion of the Compensation Committee in the event of stock dividend, stock split, extraordinary cash dividend, or similar recapitalization of the Company.

If an employee joins the Company or an affiliate during the measurement period and becomes an eligible employee pursuant to Paragraph 4(b), and if the employee is a "covered employee" within the meaning of Section 162(m), then to the extent necessary for the Plan to qualify as performance-based compensation under Section 162(m) or its successor under then applicable law, all relevant elements of the performance goals established pursuant to paragraph 6 of this Plan for that employee must be established on or before the date on which 25% of the time from the commencement of employment to the end of the measurement period has elapsed, and the outcome under the performance goals for the measurement period must be substantially uncertain at the time those elements are established.

8. Determination of Attainment of Performance Goals.

The Compensation Committee shall determine, pursuant to the performance goals and other elements established pursuant to section 6 of the Plan, the amounts to be paid to each employee for each measurement period or the extent to which awards have vested. The Compensation Committee's determinations shall be final and binding on all participants. However, with respect to the Chief Executive Officer and Executive Chairman, the Company's outside directors shall be entitled (but are not required) to review and approve (by majority vote) the Compensation Committee's determination. These determinations must be certified in writing before payments are made, which requirement may be satisfied by approved minutes of the Compensation Committee meeting setting out the determinations made. The Compensation Committee shall not have discretion to increase the amount of an award or accelerate the vesting of an award to any employee who is a "covered employee" within the meaning of Section 162(m) if such action would cause the award or any part thereof to not be deductible under the Internal Revenue Code. The Compensation Committee may exercise negative discretion in a manner consistent with Section 162(m).

9. Amendments.

The Compensation Committee may not amend or terminate the Plan so as to increase, reduce or eliminate awards under the Plan for any given measurement period retroactively, that is, on any date later than 90 days after the start of the measurement period. The Compensation Committee may amend or terminate the Plan at any time on a prospective basis and/or in any fashion that does not increase, reduce or eliminate awards retroactively.

The foregoing notwithstanding, except as required by applicable law, the Compensation Committee shall not have the power to amend the Plan in any fashion that would cause the Plan to fail to qualify as performance-based compensation with respect to any “covered employee” as defined under Section 162(m) or its successor. Without limiting the generality of the foregoing, to the extent it would cause the Plan to fail to qualify as performance-based compensation with respect to any “covered employee” as defined under Section 162(m) or its successor under then applicable law, the Compensation Committee shall not have the power to change the material terms of the performance goals unless (i) the modified performance goals are established by the Compensation Committee no later than 90 days after the start of the applicable measurement period, on or before 25 percent of the measurement period has elapsed, and while the outcome is substantially uncertain; and (ii) no payments are made under the modified performance goals until after the material terms of the modified performance goals are disclosed to and approved by the Company’s stockholders.

10. *Time and Form of Payment*.

All payments in respect of awards granted under this Plan shall be made in cash on or before March 15th of the year following the year in which the measurement period ends. The Committee may also provide for payment in the form of shares or share awards as provided in Section 5.

11. *Section 409A of the Code*.

Awards under the Plan are intended to comply with Section 409A of the Code and all awards shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the effective date of the Plan. Notwithstanding any provision of the Plan or any Award to the contrary, in the event that the Committee determines that any Award may or does not comply with Section 409A of the Code, the Company may adopt such amendments to the Plan and the affected Award (without employee consent) or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Compensation Committee determines are necessary or appropriate to (i) exempt the Plan and any award from the application of Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to Award, or (ii) comply with the requirements of Section 409A of the Code.

Notwithstanding any provisions of this Plan to the contrary, if an employee is a “specified employee” (within the meaning of Section 409A of the Code and determined pursuant to policies adopted by the Company) on his or her date of separation from service and if any portion of an award to be received by the employee upon his or her separation from service would be considered deferred compensation under Section 409A of the Code, amounts of deferred compensation that would otherwise be payable pursuant to this Plan during the six-month period immediately following the employee’s separation from service will instead be paid or made available on the earlier of (i) the first day of the seventh month following the date of the Participant’s separation from service and (ii) the employee’s death. In the event that payments are delayed pursuant to this section, then such payments shall be paid at the time specified in this section without interest. The Company shall consult with the employee in good faith regarding the implementation of the provisions of this section, provided that neither the Company nor any of its employees or representatives shall have any liability to the employee with respect thereto. Any amount under this program that satisfies the requirements of the “short-term deferral” rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute a deferred payment for purposes of this Plan. Any amounts scheduled for payment hereunder when they are ordinarily paid, will nonetheless be paid to employee on or before March 15th of the year following the year when the payment is no longer subject to a substantial risk of forfeiture. For purposes of Section 409A of the Code, the right to a series of installment payments shall be treated as a right to a series of separate payments, and references herein to the employee’s termination of employment shall refer to employee’s separation of services with the Company within the meaning of Section 409A of the Code.

12. Rule 10b5-1 Trading Plans; Stock Withholding.

It is expected that participants under the Plan will establish or modify stock trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, to provide for the sale of Company shares and remit to the Company the proceeds to meet the Company's withholding obligations in connection with stock awards hereunder. To the extent participants fail to establish or modify 10b5-1 plans in accordance with the foregoing, the Company shall at its election either require the participant to pay cash sufficient to meet the withholding obligation or the Company shall withhold the number of shares under a stock award sufficient (based on the fair market value of the Shares) to meet such withholding obligation.

13. Effect on Employment/Right to Receive.

Employment with the Company and its affiliates is on an at-will basis. Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any participant's employment or service at any time, with or without cause or notice. Furthermore, the Company expressly reserves the right, which may be exercised at any time and without regard to any measurement period, to terminate any individual's employment with or without cause, and to treat him or her without regard to the effect which such treatment might have upon him or her as a participant under this Plan. For purposes of this Plan, transfers of employment between the Company and/or its affiliates shall not be deemed a termination of employment. No person shall have the right to be selected to receive a Stock Award under the Plan, or, having been so selected, have the right to receive a future award.

14. Successors.

All obligations of the Company under the Plan, with respect to awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all the business or assets of the Company.

15. Nontransferability of Awards.

No award granted under this Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will, by the laws of descent and distribution, or to the extent permitted by the Company's 1997 Stock Incentive Plan, 1999 Stock Incentive Plan or other equity plan, to the extent an award is payable from such plans. All rights with respect to an award granted under this Plan shall be available during his or her lifetime only to the participant to whom the award under this Plan is granted.

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

FORM 10-K

(MARK ONE)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 27, 2010

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM __________ TO __________.

Commission file number: 0-12933

LAM RESEARCH CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**94-2634797**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4650 Cushing Parkway **Fremont, California**	**94538**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: **(510) 572-0200**

Securities registered pursuant to Section 12(b) of the Act:

Title of class	Name of exchange on which registered
Common Stock, Par Value $0.001 Per Share	**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of the Registrant's Common Stock, $0.001 par value, held by non-affiliates of the Registrant, as of December 27, 2009, the last business day of the most recently completed second fiscal quarter with respect to the fiscal year covered by this Form 10-K, was $3,744,253,386. Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock has been excluded from this computation in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination of such status for other purposes.

As of August 13, 2010, the Registrant had 124,172,201 outstanding shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the Registrant's Proxy Statement for the Annual Meeting of Stockholders expected to be held on or about November 4, 2010 are incorporated by reference into Part III of this Form 10-K. (However, the Reports of the Audit Committee and Compensation Committee are expressly not incorporated by reference herein.)

LAM RESEARCH CORPORATION

2010 ANNUAL REPORT ON FORM 10-K

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PART I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

With the exception of historical facts, the statements contained in this discussion are forward-looking statements, which are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Certain, but not all, of the forward-looking statements in this report are specifically identified as forward-looking, by use of phrases and words such as "we believe," "we anticipate," "we expect," "may," "should," "could," and other future-oriented terms. The identification of certain statements as "forward-looking" is not intended to mean that other statements not specifically identified are not forward-looking. Forward-looking statements include, but are not limited to, statements that relate to our future revenue, shipments, cost and margins, product development, demand, acceptance and market share, competitiveness, market opportunities, levels of research and development (R&D), the success of our marketing, sales and service efforts, outsourced activities and operating expenses, anticipated manufacturing, customer and technical requirements, the ongoing viability of the solutions that we offer and our customers' success, tax expenses, our management's plans and objectives for our current and future operations and business focus, the levels of customer spending or R&D activities, general economic conditions, the sufficiency of financial resources to support future operations, and capital expenditures. Such statements are based on current expectations and are subject to risks, uncertainties, and changes in condition, significance, value and effect, including without limitation those discussed below under the heading "Risk Factors" within Item 1A and elsewhere in this report and other documents we file from time to time with the Securities and Exchange Commission (the "SEC"), such as our quarterly reports on Form 10-Q and our current reports on Form 8-K. Such risks, uncertainties and changes in condition, significance, value and effect could cause our actual results to differ materially from those expressed in this report and in ways we cannot readily foresee. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof and are based on information currently and reasonably known to us. We do not undertake any obligation to release the results of any revisions to these forward-looking statements, which may be made to reflect events or circumstances that occur after the date of this report or to reflect the occurrence or effect of anticipated or unanticipated events.

Item 1. *Business*

Incorporated in 1980, Lam Research Corporation ("Lam Research," "Lam," "we," or the "Company") is headquartered in Fremont, California, and maintains a network of facilities throughout North America, Asia, and Europe in order to meet the needs of its global customer base.

Additional information about Lam Research is available on our website at http://www.lamresearch.com.

Our Annual Report on Form 10-K, Quarterly Reports on Forms 10-Q, Current Reports on Forms 8-K, and any amendments to those reports are available on our website as soon as reasonably practical after we file them with or furnish them to the Securities and Exchange Commission ("SEC") and are also available online at the SEC's website at http://www.sec.gov.

The Lam Research logo, Lam Research, and all product and service names used in this report are either registered trademarks or trademarks of Lam Research Corporation in the United States and/or other countries. All other marks mentioned herein are the property of their respective holders.

All references to fiscal years apply to our fiscal years, which ended June 27, 2010, June 28, 2009, and June 29, 2008.

Lam Research is a leading supplier of wafer fabrication equipment and services to the worldwide semiconductor industry. For thirty years, our wafer fabrication equipment, services, and extensive technical expertise have contributed to advancing semiconductor manufacturing and producing some of the world's most advanced semiconductor devices. We are recognized as the global market share leader in plasma etch and maintain the largest installed base of single-wafer wet clean modules in the world.

We design, manufacture, market, refurbish, and service semiconductor processing equipment used in the fabrication of integrated circuits. Semiconductor wafers are subjected to a complex series of process and preparation steps that result in the simultaneous creation of many individual integrated circuits. We leverage our expertise in the areas of etch and single-wafer clean to develop processing solutions that typically benefit our customers through lower defect rates, enhanced yields, faster processing time, and/or reduced cost. Many of the technical advances that we introduce in our newest products are also available as upgrades to our installed base of equipment; this is a benefit that can provide customers with a cost-effective strategy for extending the performance and capabilities of their existing wafer fabrication lines.

Our innovative etch and clean technologies enable customers to build some of the world's highest-performing integrated circuits. Our etch systems shape the microscopic conductive and dielectric layers into circuits that define a chip's final use and function. Our broad portfolio of single-wafer clean technologies allows our customers to implement customized yield-enhancing solutions. With each new technology node, additional requirements and challenges drive the need for advanced manufacturing solutions. We strive to consistently deliver these advanced capabilities with cost-effective production performance. Lam Research understands the close relationship between customer trust and the timely delivery of new solutions that leads to shared success with our customers.

Our Customer Support Business Group ("CSBG") provides products and services to maximize installed equipment performance and operational efficiency. We offer a broad range of services to deliver value throughout the lifecycle of our equipment, including customer service, spares, upgrades, and refurbishment of our etch and clean products. While most semiconductor device manufacturers have transitioned to 300 mm wafer technology, there are still many who utilize 200 mm technology, requiring prior-generation equipment. To address this market and to meet customers' needs for high-performance, low-risk equipment, our Reliant™ Systems Business offers a suite of new and refurbished Lam legacy equipment for etch and spin clean.

Etch Process

Etch processes, which are repeated numerous times during the wafer fabrication cycle, are required to manufacture every type of semiconductor device produced today. Our etch products selectively remove portions of various films from the wafer in the creation of semiconductor devices. These products use various plasma-based technologies to create critical device features at current and future technology nodes. Plasma consists of charged and neutral particles that react with exposed portions of the wafer surface to remove dielectric or conductive materials and produce the finely delineated features and patterns of an integrated circuit.

Dielectric Etch

Dielectric etch often requires etching multi-layer film stacks. Smaller node sizes increase the complexity of the structures being etched, and repeat on-wafer performance remains critical. In addition to the challenges introduced by new materials and scaling, device manufacturers' focus on reducing overall cost per wafer has placed an increased emphasis on the ability to etch multiple films in the same chamber (*in situ*) .

DFC Technology

Production-proven in high-volume manufacturing for the past 15 years, our patented Dual Frequency Confined™ technology has been extended to incorporate multi-frequency power with physically confined plasma. The application of power at different frequencies provides enhanced process flexibility and allows different materials to be etched in the same chamber. Physical confinement of the plasma to an area directly above the wafer minimizes chemical interaction with the chamber walls, eliminating potential polymer build-up that could lead to defects on the wafer. Confinement also enables our proprietary *in situ* Waferless Autoclean™ ("WAC") technology to clean chamber components after each wafer has been etched. Used together, multi-frequency and WAC technologies provide a consistent process environment for every wafer, preventing process drift and ensuring repeatable process results wafer-to-wafer and chamber-to-chamber.

2300® Exelan® Flex™, 2300® Exelan® Flex45™, 2300® Flex™ D Series Dielectric Etch Systems

Our 2300 Flex dielectric etch product family represents a continuous evolution of the productivity and performance benefits of DFC technology. The 2300 Flex family allows a single chamber design to meet the requirements of a wide range of applications at multiple nodes. Advances in system design, such as multiple frequencies, higher power capabilities and tunable wafer temperature, meet the more demanding uniformity and profile requirements for applications at the 32 nm node and beyond.

Conductor Etch

As the semiconductor industry continues to shrink critical feature sizes and improve device performance, a variety of new etch challenges have emerged. For conductor etch, these challenges include processing smaller features, new materials, and new transistor structures on the wafer. Due to decreasing feature sizes, the etch process can now require atomic-level control across a 300 mm wafer. The incorporation of new metal gates and high-k dielectric materials in the device stack requires advanced multi-film etching capability. Furthermore, the adoption of double patterning techniques to address lithography challenges at the 45 nm node and beyond is driving the etch process to define the feature on the wafer as well as to transfer the pattern into the film. All of these challenges require today's conductor etch systems to provide advanced capabilities, while still providing high productivity.

TCP Technology

Introduced in 1992, our Transformer Coupled Plasma™ technology continues to provide leading-edge capability for advanced conductor etch applications at the 32 nm node and beyond. By efficiently coupling radio frequency ("RF") power into plasma at low pressures, the TCP technology provides capability to etch nanoscale features into silicon and metal films. The advanced TCP source design ensures a uniform, high-density plasma across the wafer, without requiring magnetic enhancements that could cause device damage. With a wide process window over a range of power, chemistry, and pressure combinations, TCP technology provides the flexibility required to perform multiple etch steps in the same chamber.

2300® Versys® Kiyo®, 2300® Versys® Kiyo45™, 2300® Kiyo® C Series, 2300® Versys® Metal, 2300® Versys® Metal45™, 2300® Versys® Metal L Conductor Etch Systems

Now in its third generation, the 2300 Kiyo product family combines iterative advances in technology to provide critical dimension ("CD") uniformity and productivity for a wide range of conductor etch applications. The 2300 Versys Metal product family leverages Lam's proprietary TCP technology to provide a flexible platform for back-end-of-line metal etch processes. Our etch products perform production-proven *in situ* etches of complex features. In addition, proprietary pre-coat and post-etch chamber clean techniques provide the same environment for superior repeatability, as well as high uptime and yield wafer after wafer.

MEMS and Deep Silicon Etch

Deep silicon etch is an enabling process for several emerging technologies, including micro-electromechanical systems ("MEMS") devices, CMOS image sensors, and power devices. Many of these technologies are increasingly being used in consumer applications, such as ink jet printer heads, accelerometers, and inertial sensors. This is driving a number of deep silicon etch applications to transition into high-volume manufacturing, which requires the high levels of cost-effective production typically seen in commodity semiconductor memory devices. To achieve high yield in mass production, the deep silicon etch process requires wafer-to-wafer repeatability.

TCP ® 9400DSiE™ Deep Silicon Etch System

The TCP 9400DSiE system is based on our production-proven TCP 9400 silicon etch series. The system's patented high-density TCP plasma source provides a configuration to meet the challenges of silicon deep reactive ion etch, offering broad process capability and flexibility for a wide range of MEMS, advanced packaging, and power semiconductor applications. Incorporation of our proprietary in situ chamber cleaning technology provides etch rate stability.

Three-Dimensional Integrated Circuit Etch

The semiconductor industry is developing advanced, three-dimensional integrated circuits ("3-D ICs") using through-silicon vias ("TSVs") to provide interconnect capability for die-to-die and wafer-to-wafer stacking. In addition to a reduced form factor, 3-D ICs can enhance device performance through increased speed and decreased power consumption. Manufacturers are currently considering a wide variety of 3-D integration schemes that present an equally broad range of TSV etch requirements. Plasma etch technology, which has been used extensively for deep silicon etching in memory devices and MEMS production, is well suited for TSV creation.

2300® Syndion® Through-Silicon Via Etch System

The 2300 Syndion etch system is based on our patented TCP technology and the production-proven 2300 Versys Kiyo conductor etch system. The Syndion system can etch multiple film stacks in the same chamber, including silicon, dielectric, and conducting materials, thereby addressing multiple TSV etch requirements.

Clean Process

The manufacture of semiconductor devices involves a series of processes such as etch, deposition, and implantation, which leave particles and residues on the surface of the wafer. The wafer must generally be cleaned after these steps to remove particles and residues that could adversely impact the processes that immediately follow them and degrade device performance. Common wafer cleaning steps include post-etch and post-strip cleans and pre-diffusion and pre-deposition cleans, among others.

Specific challenges at the 45 nm node and beyond include efficient particle and residue removal while minimizing substrate material loss, protecting structures with fragile new materials and smaller feature sizes, and efficient drying. In addition, management of potential defect sources at the wafer edge becomes increasingly challenging as new materials are introduced in the process flow.

Single-Wafer Wet Clean

As device geometries shrink and new materials are introduced, device flows become more complex, and the number of wafer cleaning steps increases. The need to have better control of the cleaning process, to increase overall clean efficiency, and to clean fragile structures without causing damage are reasons why chipmakers are turning to single-wafer wet clean processing technology for next-generation devices.

Over the past decade, a transition from batch to single-wafer processing has occurred for back-end-of-line wet clean applications and a similar migration is now taking place for front-end-of-line wet clean applications as the need for higher particle removal efficiency without device structure damage becomes more critical. Single-wafer wet processing is particularly advantageous for those applications where improved defect performance (removing particles without damaging the wafer pattern) or enhanced selectivity and CD control can improve yield.

Spin Clean Products: SP Series, Da Vinci®, DV-Prime™

Introduced over 20 years ago, SEZ® spin technology for cleaning and removing films has assisted the industry transition from batch to single-wafer wet processing. This proven technology provides the productivity and flexibility needed for both high-volume manufacturing and leading-edge development across multiple technology nodes and for all device types. By offering advanced dilute chemistry and solvent solutions in our systems, our spin wet clean systems address certain defectivity and material integrity requirements.

Linear Clean Product: 2300® Serene®

To meet the challenges of smaller critical dimensions, increasing aspect ratios, and new materials integration, our 2300 Serene wet clean system is targeted at applications requiring high-selectivity residue removal without damaging sensitive device structures. The system's C3™ (Confined Chemical Cleaning™) technology combines linear wafer motion with chemically-driven single-wafer cleaning to remove residues with chemical exposure times as short as a few seconds. The cleaning exposure time is optimized for efficient removal of the target materials, while limiting the impact on critical materials. This technology addresses applications that require high-selectivity cleaning, such as high-k metal gate post-etch clean.

Plasma-Based Bevel Clean

Semiconductor manufacturers are paying increasing attention to the wafer edge as a source of yield limiting defects. New materials like porous low-k and organic films often do not adhere as well as traditional silicon or polymer-based films and have the potential to be significant defect sources. By including cleaning steps that target the bevel region, the number of good die at the wafer's edge can be increased to maximize yield.

2300® Coronus® Plasma Bevel Clean System

The 2300 Coronus plasma bevel clean system incorporates plasma technology to remove yield limiting defect sources. The system combines the ability of plasma to selectively remove a wide variety of materials with a proprietary confinement technology that protects the die area. Incorporating our Dynamic Alignment technology on the production-proven 2300 platform, the Coronus system provides highly accurate wafer placement for repeatable process results and superior encroachment control and is designed to remove a wide range of material types, in multiple applications, throughout the manufacturing process flow.

Research and Development

The market for semiconductor capital equipment is characterized by rapid technological change and product innovation. Our ability to achieve and maintain our competitive advantage depends in part on our continued and timely development of new products and enhancements to existing products. Accordingly, we devote a significant portion of our personnel and financial resources to R&D programs and seek to maintain close and responsive relationships with our customers and suppliers.

Our R&D expenses during fiscal years 2010, 2009, and 2008 were $320.9 million, $288.3 million, and $323.8 million, respectively. The majority of R&D spending over the past three years has been targeted at etch and other plasma-based technologies, single-wafer clean, and other semiconductor manufacturing products. We believe current challenges for customers at various points in the semiconductor manufacturing process present opportunities for us.

We expect to continue to make substantial investments in R&D to meet our customers' product needs, support our growth strategy, and enhance our competitive position.

Marketing, Sales, and Service

Our marketing, sales, and service efforts are focused on building long-term relationships with our customers and targeting product and service solutions designed to meet their needs. These efforts are supported by a team of product marketing and sales professionals as well as equipment and process engineers who work closely with individual customers to develop solutions for their wafer processing needs. We maintain ongoing service relationships with our customers and have an extensive network of service engineers in place throughout the United States, Europe, Taiwan, Korea, Japan, and Asia Pacific. We believe that comprehensive support programs and close working relationships with customers are essential to maintaining high customer satisfaction and our competitiveness in the marketplace.

We provide standard warranties for our systems that generally run for a period of 12 months from system acceptance. The warranty provides that systems shall be free from defects in material and workmanship and conform to agreed-upon specifications. The warranty is limited to repair of the defect or replacement with new or like-new equivalent goods and is valid when the buyer provides prompt notification within the warranty period of the claimed defect or non-conformity and also makes the items available for inspection and repair. We also offer extended warranty packages to our customers to purchase as desired.

International Sales

A significant portion of our sales and operations occur outside the United States and, therefore, may be subject to certain risks, including but not limited to tariffs and other barriers, difficulties in staffing and managing non-U.S. operations, adverse tax consequences, foreign currency exchange rate fluctuations, changes in currency controls, compliance with U.S. and international laws and regulations, including U.S. export restrictions, and economic and political conditions. Any of these factors may have a material adverse effect on our business, financial position, and results of operations and cash flows. Revenue by region was as follows:

	Year Ended		
	June 27, 2010	June 28, 2009	June 29, 2008
		(in thousands)	
Revenue:			
United States	$ 186,036	$ 171,359	$ 417,807
Europe	133,685	121,178	235,191
Japan	318,641	234,070	455,322
Korea	539,312	239,911	554,924
Taiwan	703,854	208,053	502,683
Asia Pacific	252,248	141,375	308,984
Total revenue	$ 2,133,776	$ 1,115,946	$ 2,474,911

Customers

Our customers include many of the world's leading semiconductor manufacturers. Customers continue to establish joint ventures, alliances and licensing arrangements which have the potential to positively or negatively impact our competitive position and market opportunities. In fiscal year 2010, revenues from Samsung Electronics Company, Ltd., Taiwan Semiconductor Manufacturing Company, Ltd., and Toshiba Corporation accounted for approximately 24%, 15%, and 11%, respectively, of total revenues. In fiscal year 2009, revenues from Samsung Electronics Company, Ltd. and Toshiba Corporation accounted for approximately 19% and 11%, respectively, of total revenues. In fiscal year 2008, revenues from Samsung Electronics Company, Ltd. and Toshiba Corporation accounted for approximately 19% and 13%, respectively, of total revenues.

A material reduction in orders from our customers in the semiconductor industry could adversely affect our results of operations and projected financial condition. Our business depends upon the expenditures of semiconductor manufacturers. Semiconductor manufacturers' businesses, in turn, depend on many factors, including their economic capability, the current and anticipated market demand for integrated circuits and the availability of equipment capacity to support that demand.

Backlog

In general, we schedule production of our systems based upon our customers' delivery requirements. In order for a system to be included in our backlog, the following conditions must be met: 1) a written customer request that has been accepted, 2) agreement on prices and product specifications, and 3) scheduled shipment within the next 12 months. The spares and services backlog includes customer orders where written customer requests have been accepted and the delivery of products or provision of services is anticipated within the next 12 months. Where specific spare parts and customer service purchase contracts do not contain discrete delivery dates, we use volume estimates at the contract price and over the contract period, not exceeding 12 months, in calculating backlog amounts. Our policy is to revise our backlog for order cancellations and to make adjustments to reflect, among other things, changes in spares volume estimates and customer delivery date changes. At June 27, 2010 and June 28, 2009, our backlog was approximately $667 million and $391 million, respectively. Generally, orders for our products and services are subject to cancellation by our customers with limited penalties. Because some orders are received and shipped in the same quarter and because customers may change delivery dates and cancel orders, our backlog at any particular date is not necessarily indicative of business volumes or actual revenue levels for succeeding periods.

Manufacturing

Our manufacturing operations consist mainly of assembling and testing components, sub-assemblies, and modules that are then integrated into finished systems prior to shipment to or at the location of our customers. Most of the assembly and testing of our products is conducted in cleanroom environments.

We have agreements with third parties to outsource certain aspects of our manufacturing, production warehousing, and logistics functions. We believe that these outsourcing contracts provide us more flexibility to scale our operations up or down in a timely and cost effective manner, enabling us to respond to the cyclical nature of our business. We believe that we have selected reputable providers and have secured their performance on terms documented in written contracts. However, it is possible that one or more of these providers could fail to perform as we expect, and such failure could have an adverse impact on our business and have a negative effect on our operating results and financial condition. Overall, we believe we have effective mechanisms to manage risks associated with our outsourcing relationships. Refer to Note 13 of our Consolidated Financial Statements, included in Item 15 of this report, for further information concerning our outsourcing commitments.

Certain components and sub-assemblies that we include in our products may only be obtained from a single supplier. We believe that, in many cases, we could obtain and qualify alternative sources to supply these products. Nevertheless, any prolonged inability to obtain these components could have an adverse effect on our operating results and could unfavorably impact our customer relationships.

Environmental Matters

We are subject to a variety of governmental regulations related to the management of hazardous materials that we use in our business operations. We are currently not aware of any pending notices of violation, fines, lawsuits, or investigations arising from environmental matters that would have a material effect on our business. We believe that we are generally in compliance with these regulations and that we have obtained (or will obtain or are otherwise addressing) all necessary environmental permits to conduct our business. Nevertheless, the failure to comply with present or future regulations could result in fines being imposed on us, require us to suspend production or cease operations or cause our customers to not accept our products. These regulations could require us to alter our current operations, to acquire significant additional equipment, or to incur substantial other expenses to comply with environmental regulations. Our failure to control the use, sale, transport or disposal of hazardous substances could subject us to future liabilities.

Employees

As of August 13, 2010, we had approximately 3,232 regular employees. Although we have employment-related agreements with a number of key employees, these agreements do not guarantee continued service. Each of our employees is required to comply with our policies relating to maintaining the confidentiality of our non-public information.

In the semiconductor and semiconductor equipment industries, competition for highly skilled employees is intense. Our future success depends, to a significant extent, upon our continued ability to attract and retain qualified employees particularly in the R&D and customer support functions.

Competition

The semiconductor capital equipment industry is characterized by rapid change and is highly competitive throughout the world. To compete effectively, we invest significant financial resources to continue to strengthen and enhance our product and services portfolio and to maintain customer service and support locations globally. Semiconductor manufacturers evaluate capital equipment suppliers in many areas, including, but not limited to, process performance, productivity, customer support, defect control, and overall cost of ownership, which can be affected by many factors such as equipment design, reliability, software advancements, etc. Our ability to succeed in the marketplace depends upon our ability to maintain existing products and introduce product enhancements and new products that meet customer requirements on a timely basis. In addition, semiconductor manufacturers must make a substantial investment to qualify and integrate new capital equipment into semiconductor production lines. As a result, once a semiconductor manufacturer has selected a particular supplier's equipment and qualified it for production, the manufacturer generally maintains that selection for that specific production application and technology node as long as the supplier's products demonstrate performance to specification in the installed base. Accordingly, we may experience difficulty in selling to a given customer if that customer has qualified a competitor's equipment. We must also continue to meet the expectations of our installed base of customers through the delivery of high-quality and cost-efficient spare parts in the presence of third-party spare parts provider competition.

We face significant competition with all of our products and services. Our primary competitors in the etch market are Tokyo Electron, Ltd. and Applied Materials, Inc. Our primary competitor in the single-wafer wet clean market is Dainippon Screen Manufacturing Co. Ltd.

Certain of our existing and potential competitors have substantially greater financial resources and larger engineering, manufacturing, marketing, and customer service and support organizations than we do. In addition, we face competition from a number of emerging companies in the industry. We expect our competitors to continue to improve the design and performance of their current products and processes and to introduce new products and processes with enhanced price/performance characteristics. If our competitors make acquisitions or enter into strategic relationships with leading semiconductor manufacturers, or other entities, covering products similar to those we sell, our ability to sell our products to those customers could be adversely affected. There can be no assurance that we will continue to compete successfully in the future.

Patents and Licenses

Our policy is to seek patents on inventions relating to new or enhanced products and processes developed as part of our ongoing research, engineering, manufacturing, and support activities. We currently hold a number of United States and foreign patents covering various aspects of our products and processes. We believe that the duration of our patents generally exceeds the useful life of the technologies and processes disclosed and claimed in them. Our patents, which cover material aspects of our past and present core products, have current durations ranging from approximately one to twenty years. We believe that, although the patents we own and may obtain in the future will be of value, they alone will not determine our success. Our success depends principally upon our engineering, marketing, support, and delivery skills. However, in the absence of patent protection, we may be vulnerable to competitors who attempt to imitate our products, manufacturing techniques, and processes. In addition, other companies and inventors may receive patents that contain claims applicable or similar to our products and processes. The sale of products covered by patents of others could require licenses that may not be available on terms acceptable to us, or at all. For further discussion of legal matters, see Item 3, “Legal Proceedings,” of this report.

EXECUTIVE OFFICERS OF THE COMPANY

As of August 20, 2010, the executive officers of Lam Research were as follows:

Name	Age	Title
Stephen G. Newberry	56	President and Chief Executive Officer
Martin B. Anstice	43	Executive Vice President and Chief Operating Officer
Ernest E. Maddock	52	Senior Vice President, Chief Financial Officer and Chief Accounting Officer
Jeffrey Marks	52	Vice President and General Manager, Clean Business
Richard A. Gottscho	58	Group Vice President and General Manager, Etch Business
Thomas J. Bondur	42	Vice President and General Manager, Sales and Marketing
Sarah A. O’Dowd	60	Group Vice President, Human Resources and Chief Legal Officer

Stephen G. Newberry was appointed President and Chief Executive Officer of Lam Research in June 2005. He joined Lam Research in August 1997 as Executive Vice President and Chief Operating Officer and was promoted to the position of President and Chief Operating Officer in July 1998. Mr. Newberry currently serves as a director of Lam Research, Amkor Technology, and Semiconductor Equipment and Materials International (SEMI), the industry’s trade association. He also serves as a member of the Haas Advisory Board, Haas School of Business, University of California at Berkeley and as a member of the Dean’s Advisory Council, University of California at Davis Graduate School of Management. Prior to joining Lam Research, Mr. Newberry was Group Vice President of Global Operations and Planning at Applied Materials, Inc. Mr. Newberry served five years in naval aviation prior to joining Applied Materials. He is a graduate of the U.S. Naval Academy and the Harvard Graduate School of Business, Program for Management Development.

Martin B. Anstice joined Lam Research in April 2001 as Senior Director, Operations Controller, was promoted to the position of Managing Director and Corporate Controller in May 2002, and was promoted to Group Vice President, Chief Financial Officer, and Chief Accounting Officer in June 2004, was named Senior Vice President, Chief Financial Officer and Chief Accounting Officer in March 2007, and was promoted to

Executive Vice President, Chief Operating Officer, in September 2008. Mr. Anstice began his career at Raychem Corporation where, during his 13-year tenure, he held numerous finance roles of increasing responsibility in Europe and North America. Subsequent to Tyco International's acquisition of Raychem in 1999, he assumed responsibilities supporting mergers and acquisition activities of Tyco Electronics. Mr. Anstice is an associate member of the Chartered Institute of Management Accountants in the United Kingdom.

Ernest E. Maddock was appointed Senior Vice President and Chief Financial Officer of Lam Research in September 2008. Additionally, Mr. Maddock oversees Information Technology and heads Silfex Incorporated (formerly Bullen Semiconductor Corporation), a division of Lam Research. From October 2003 through September 2008, Mr. Maddock held the position of Senior Vice President of Global Operations at Lam Research, overseeing Information Technology, Global Supply Chain, Production Operations, Corporate Quality, Global Security, and Global Real Estate & Facilities. Mr. Maddock also held the position of Vice President of the Customer Support Business Group (CSBG) with the Company. Mr. Maddock joined the Company in November 1997. Prior to his employment with Lam Research, Mr. Maddock was Managing Director, Global Logistics and Repair Services Operations, and Chief Financial Officer, Software Products Division, of NCR Corporation. He has also held a variety of executive roles in finance and operations in several industries ranging from commercial real estate to telecommunications.

Jeffrey Marks has spent the past 20 years in the semiconductor industry, focusing on advanced process equipment development and business growth. He joined Lam Research Corporation in 1999, and has been the Vice President and General Manager of the Clean Product Group since March 2007. He is responsible for the Company's spin, linear and bevel clean products. Before assuming responsibility for wet and plasma-based bevel clean, Dr. Marks managed the dielectric etch business at Lam Research. He worked for Applied Materials from 1988 until 1999 and was responsible for several key technology and business activities, including flat panel etch, CMP, dielectric etch, and dielectric CVD. He received his Ph.D. in chemistry from Stanford University and his B.S. degree in chemistry from the University of California, San Diego. He holds numerous patents and has authored several technical publications in the areas of semiconductor processing and thin-film applications.

Richard A. Gottscho, Group Vice President and General Manager, Etch Businesses since March 2007, joined the Company in January 1996 and has served at various Director and Vice President levels in support of etch products, CVD products, and corporate research. Prior to joining Lam Research, Dr. Gottscho was a member of Bell Laboratories for 15 years where he started his career working in plasma processing. During his tenure at Bell, he headed research departments in electronics materials, electronics packaging, and flat panel displays. Dr. Gottscho is the author of numerous papers, patents, and lectures in plasma processing and process control. He is a recipient of the American Vacuum Society's Peter Mark Memorial Award and is a fellow of the American Physical and American Vacuum Societies, has served on numerous editorial boards of refereed technical publications, program committees for major conferences in plasma science and engineering, and was vice-chair of a National Research Council study on plasma science in the 1980s. Dr. Gottscho earned Ph.D. and B.S. degrees in physical chemistry from the Massachusetts Institute of Technology and the Pennsylvania State University, respectively.

Thomas J. Bondur, Vice President and General Manager, Sales and Marketing, since April 2009 and previously Vice President, Global Field Operations since March 2007, joined Lam Research in August 2001 and has served in various roles in business development and field operations in Europe and the United States. Prior to joining Lam Research, Mr. Bondur spent eight years in the semiconductor industry with Applied Materials in various roles in Santa Clara and France including Sales, Business Management and Process Engineering. Mr. Bondur holds a degree in Business from the State University of New York.

Sarah A. O'Dowd joined Lam Research in September 2008 as Group Vice President and Chief Legal Officer, and was appointed Group Vice President, Human Resources and Chief Legal Officer in April 2009. Prior to joining Lam Research, Ms. O'Dowd served as Vice President and General Counsel for FibroGen, Inc. from February 2007 until September 2008. Until February 2007, Ms. O'Dowd was a shareholder in the law firm of Heller Ehrman LLP for more than twenty years.

Item 1A. *Risk Factors*

In addition to the other information in this 2010 Form 10-K, the following risk factors should be carefully considered in evaluating the Company and its business because such factors may significantly impact our business, operating results, and financial condition. As a result of these risk factors, as well as other risks discussed in our other SEC filings, our actual results could differ materially from those projected in any forward-looking statements. No priority or significance is intended, nor should be attached, to the order in which the risk factors appear.

The Semiconductor Industry is Subject to Major Fluctuations and, as a Result, We Face Risks Related to Our Strategic Resource Allocation Decisions

The business cycle in the semiconductor equipment industry has historically been characterized by frequent periods of rapid change in demand that challenge our management to adjust spending and other resources allocated to operating activities. During periods of rapid growth or decline in demand for our products and services, we face significant challenges in maintaining adequate financial and business controls, management processes, information systems, procedures for training, managing, and appropriately sizing our supply chain, our work force, and other components of our business on a timely basis.

If we do not adequately meet these challenges during periods of demand decline, our gross margins and earnings may be impaired. In late 2008 and throughout 2009, the semiconductor industry experienced a general decline in demand, leading to a steep decline in demand for our products and services. In response to that industry demand decline and in an effort to minimize the disruptive effects of the deteriorating economic conditions on our business operating results, we made difficult resource allocation decisions, including layoffs and restructurings.

During fiscal year 2010 we transitioned into what we believe to be a period of demand growth, although the duration and intensity of the growth period is uncertain. This is fueled in large part by increased investment by customers who, during the downturn, reduced or eliminated their spending on our products. We continuously reassess our strategic resource allocation choices in response to the changing business environment. If we do not adequately adapt to the changing business environment, we may lack the infrastructure and resources to scale up our business to meet customer expectations and compete successfully during this period of growth; or, we may expand our capacity too rapidly and/or beyond what is appropriate for the actual demand environment.

Especially during transitional periods, resource allocation decisions can have a significant impact on our future performance, particularly if we have not accurately anticipated industry changes. Our success will depend, to a significant extent, on the ability of our executive officers and other members of our senior management to identify and respond to these challenges effectively.

Future Decline in the Semiconductor Equipment Industry, and the Overall World Economic Conditions on Which it is Significantly Dependent, Could Have a Material Adverse Impact on Our Results of Operations and Financial Condition

Our business depends on the capital equipment expenditures of semiconductor manufacturers, which in turn depend on the current and anticipated market demand for integrated circuits. The semiconductor industry is cyclical in nature and historically experiences periodic downturns. Global economic and business conditions, which are often unpredictable, have historically impacted customer demand for our products and normal commercial relationships with our customers, suppliers, and creditors. Additionally, in times of economic uncertainty, some of our customers' budgets for our products, or their ability to access credit to purchase them, could be adversely affected. This would limit their ability to purchase our products and services. As a result, economic downturns can cause material adverse changes to our results of operations and financial condition including, but not limited to:

- a decline in demand for our products;
- an increase in reserves on accounts receivable due to our customers' inability to pay us;
- an increase in reserves on inventory balances due to excess or obsolete inventory as a result of our inability to sell such inventory;
- valuation allowances on deferred tax assets;
- restructuring charges;

- asset impairments including the potential impairment of goodwill and other intangible assets;
- a decline in the value of our investments;
- exposure to claims from our suppliers for payment on inventory that is ordered in anticipation of customer purchases that do not come to fruition;
- a decline in value of certain facilities we lease to less than our residual value guarantee with the lessor; and
- challenges maintaining reliable and uninterrupted sources of supply.

Fluctuating levels of investment by semiconductor manufacturers may materially affect our aggregate shipments, revenues and operating results. Where appropriate, we will attempt to respond to these fluctuations with cost management programs aimed at aligning our expenditures with anticipated revenue streams, which sometimes result in restructuring charges. Even during periods of reduced revenues, we must continue to invest in research and development and maintain extensive ongoing worldwide customer service and support capabilities to remain competitive, which may temporarily harm our profitability and other financial results.

Our Quarterly Revenues and Operating Results Are Unpredictable

Our revenues and operating results may fluctuate significantly from quarter to quarter due to a number of factors, not all of which are in our control. We manage our expense levels based in part on our expectations of future revenues. Because our operating expenses are based in part on anticipated future revenues, and a certain amount of those expenses are relatively fixed, a change in the timing of recognition of revenue and/or the level of gross profit from a small number of transactions can unfavorably affect operating results in a particular quarter. Factors that may cause our financial results to fluctuate unpredictably include, but are not limited to:

- economic conditions in the electronics and semiconductor industries in general and specifically the equipment industry;
- the size and timing of orders from customers;
- procurement shortages;
- the failure of our suppliers or outsource providers to perform their obligations in a manner consistent with our expectations;
- manufacturing difficulties;
- customer cancellations or delays in shipments, installations, and/or customer acceptances;
- the extent that customers continue to purchase and use our products and services in their business;
- changes in average selling prices, customer mix, and product mix;
- our ability in a timely manner to develop, introduce and market new, enhanced, and competitive products;
- our competitors' introduction of new products;
- legal or technical challenges to our products and technology;
- transportation, communication, demand, information technology or supply disruptions based on factors outside our control such as acts of God, wars, terrorist activities, and natural disasters;
- natural, physical, logistical or other events or disruptions affecting our principal facilities (including labor disruptions, earthquakes, and power failures)
- legal, tax, accounting, or regulatory changes (including but not limited to change in import/export regulations) or changes in the interpretation or enforcement of existing requirements;
- changes in our estimated effective tax rate; and
- foreign currency exchange rate fluctuations.

We Derive Our Revenues Primarily from a Relatively Small Number of High-Priced Systems

System sales constitute a significant portion of our total revenue. Our systems are priced up to approximately \$6 million per unit, and our revenues in any given quarter are dependent upon the acceptance of a limited number of systems. As a result, the inability to recognize revenue on even a few systems can cause a significantly adverse impact on our revenues for that quarter.

We Have a Limited Number of Key Customers

Sales to a limited number of large customers constitute a significant portion of our overall revenue, new orders and profitability. As a result, the actions of even one customer may subject us to revenue swings that are difficult to predict. Similarly, significant portions of our credit risk may, at any given time, be concentrated among a limited number of customers, so that the failure of even one of these key customers to pay its obligations to us could significantly impact our financial results. As of June 27, 2010, two customers accounted for approximately 24% and 22 % of accounts receivable. As of June 28, 2009, three customers accounted for approximately 17%, 15%, and 14% of accounts receivable.

Variations in the Amount of Time it Takes for Our Customers to Accept Our Systems May Cause Fluctuation in Our Operating Results

We generally recognize revenue for new system sales on the date of customer acceptance or the date the contractual customer acceptance provisions lapse. As a result, the fiscal period in which we are able to recognize new systems revenues is typically subject to the length of time that our customers require to evaluate the performance of our equipment after shipment and installation, which may vary from customer to customer and tool to tool. Such variations could cause our quarterly operating results to fluctuate.

We Depend on New Products and Processes for Our Success. Consequently, We are Subject to Risks Associated with Rapid Technological Change

Rapid technological changes in semiconductor manufacturing processes subject us to increased pressure to develop technological advances that enable those processes. We believe that our future success depends in part upon our ability to develop and offer new products with improved capabilities and to continue to enhance our existing products. If new products have reliability, quality, or design problems, our performance may be impacted by reduced orders, higher manufacturing costs, delays in acceptance of and payment for new products, and additional service and warranty expenses. We may be unable to develop and manufacture new products successfully, or new products that we introduce may fail in the marketplace. Our failure to commercialize these new products in a timely manner could result in unanticipated costs and inventory obsolescence, which would adversely affect our financial results.

In order to develop new products and processes, we expect to continue to make significant investments in R&D and to pursue joint development relationships with customers, suppliers or other members of the industry. We must manage product transitions and joint development relationships successfully, as the introduction of new products could adversely affect our sales of existing products. Moreover, future technologies, processes or product developments may render our current product offerings obsolete, leaving us with non-competitive products, or obsolete inventory, or both.

We are Subject to Risks Relating to Product Concentration and Lack of Product Revenue Diversification

We derive a substantial percentage of our revenues from a limited number of products, and we expect our etch and clean products to continue to account for a large percentage of our revenues in the near term. Continued market acceptance of these products is, therefore, critical to our future success. Our business, operating results, financial condition, and cash flows could therefore be adversely affected by:

- a decline in demand for even a limited number of our products;
- a failure to achieve continued market acceptance of our key products;

- export restrictions or other regulatory or legislative actions that could limit our ability to sell those products to key customer or market segments;
- an improved version of products being offered by a competitor in the market in which we participate;
- increased pressure from competitors that offer broader product lines;
- technological changes that we are unable to address with our products; or
- a failure to release new or enhanced versions of our products on a timely basis.

In addition, the fact that we offer limited product lines creates the risk that our customers may view us as less important to their business than our competitors that offer additional products as well. This may impact our ability to maintain or expand our business with certain customers. Such product concentration may also subject us to additional risks associated with technology changes. Since we are a provider of etch and clean equipment, our business is affected by our customers' use of etching and clean steps in their processes. Should technologies change so that the manufacture of semiconductor chips requires fewer etching or clean steps, this could have a larger impact on our business than it would on the business of our less concentrated competitors.

Strategic Alliances May Have Negative Effects on Our Business

Increasingly, semiconductor companies are entering into strategic alliances with one another to expedite the development of processes and other manufacturing technologies. Often, one of the outcomes of such an alliance is the definition of a particular tool set for a certain function or a series of process steps that use a specific set of manufacturing equipment. While this could work to our advantage if our equipment becomes the basis for the function or process, it could work to our disadvantage if a competitor's tools or equipment become the standard equipment for such function or process. In the latter case, even if our equipment was previously used by a customer, that equipment may be displaced in current and future applications by the tools standardized by the alliance.

Similarly, our customers may team with, or follow the lead of, educational or research institutions that establish processes for accomplishing various tasks or manufacturing steps. If those institutions utilize a competitor's equipment when they establish those processes, it is likely that customers will tend to use the same equipment in setting up their own manufacturing lines. These actions could adversely impact our market share and financial results.

We are Dependent On a Limited Number of Key Suppliers

We obtain certain components and sub-assemblies included in our products from a single supplier or a limited group of suppliers. We have established long-term contracts with many of these suppliers. These long-term contracts can take a variety of forms. We may renew these contracts periodically. In some cases, these suppliers have sold us products during at least the last five years, and we expect that we will continue to renew these contracts in the future or that we will otherwise replace them with competent alternative suppliers. However, certain of our suppliers are relatively new providers to us so that our experience with them and their performance is limited. Where practical, we intend to establish alternative sources to mitigate the risk that the failure of any single supplier will adversely affect our business. Nevertheless, a prolonged inability to obtain certain components could impair our ability to ship products and generate revenues, which could adversely affect our operating results and damage to our customer relationships.

Our Outsource Providers May Fail to Perform as We Expect

Outsource providers have played and will continue to play a key role in our manufacturing operations and in many of our transactional and administrative functions, such as information technology, facilities management, and certain elements of our finance organization. Although we attempt to select reputable providers and secure their performance on terms documented in written contracts, it is possible that one or more of these providers could fail to perform as we expect and such failure could have an adverse impact on our business.

In addition, the expansive role of our outsource providers has required and may continue to require us to implement changes to our existing operations and to adopt new procedures to deal with and manage the performance of these outsource providers. Any delay or failure in the implementation of our operational changes and new procedures could adversely affect our customer and/or employee relationships, which could have a negative effect on our operating results.

Once a Semiconductor Manufacturer Commits to Purchase a Competitor's Semiconductor Manufacturing Equipment, the Manufacturer Typically Continues to Purchase that Competitor's Equipment, Making it More Difficult for Us to Sell Our Equipment to that Customer

Semiconductor manufacturers must make a substantial investment to qualify and integrate wafer processing equipment into a semiconductor production line. We believe that once a semiconductor manufacturer selects a particular supplier's processing equipment, the manufacturer generally relies upon that equipment for that specific production line application for an extended period of time. Accordingly, we expect it to be more difficult to sell to a given customer if that customer initially selects a competitor's equipment.

We Face a Challenging and Complex Competitive Environment

We face significant competition from multiple competitors. Other companies continue to develop systems and products that are competitive to ours and may introduce new products, which may affect our ability to sell our existing products. We face a greater risk if our competitors enter into strategic relationships with leading semiconductor manufacturers covering products similar to those we sell or may develop, as this could adversely affect our ability to sell products to those manufacturers.

We believe that to remain competitive we must devote significant financial resources to offer a broad range of products, to maintain customer service and support centers worldwide, and to invest in product and process R&D. Certain of our competitors, especially those that are created and financially backed by foreign governments, have substantially greater financial resources and more extensive engineering, manufacturing, marketing, and customer service and support resources than we do and therefore have the potential to increasingly dominate the semiconductor equipment industry. These competitors may deeply discount or give away products similar to those that we sell, challenging or even exceeding our ability to make similar accommodations and threatening our ability to sell those products. We also face competition from our own customers, who in some instances have established affiliated entities that manufacture equipment similar to ours. For these reasons, we may fail to continue to compete successfully worldwide.

In addition, our competitors may be able to develop products comparable or superior to those we offer or may adapt more quickly to new technologies or evolving customer requirements. In particular, while we continue to develop product enhancements that we believe will address future customer requirements, we may fail in a timely manner to complete the development or introduction of these additional product enhancements successfully, or these product enhancements may not achieve market acceptance or be competitive. Accordingly, competition may intensify and we may be unable to continue to compete successfully in our markets, which could have a material adverse effect on our revenues, operating results, financial condition, and/or cash flows.

Our Future Success Depends on International Sales and the Management of Global Operations

Non-U.S. sales accounted for approximately 91% of total revenue in fiscal year 2010, 85% of total revenue in fiscal year 2009, and 83% in fiscal year 2008. We expect that international sales will continue to account for a substantial portion of our total revenue in future years.

We are subject to various challenges related to international sales and the management of global operations including, but not limited to:

- trade balance issues;
- global economic and political conditions;
- changes in currency controls;
- differences in the enforcement of intellectual property and contract rights in varying jurisdictions;

- our ability to respond to customer demands for locally sourced systems, spare parts and services and develop the necessary relationships with local suppliers;
- compliance with U.S. and international laws and regulations affecting foreign operations, including U.S. export restrictions;
- fluctuations in interest and foreign currency exchange rates;
- the need for technical support resources in different locations; and
- our ability to secure and retain qualified people in all necessary locations for the successful operation of our business.

Certain international sales depend on our ability to obtain export licenses from the U.S. government. Our failure or inability to obtain such licenses would substantially limit our markets and severely restrict our revenues. Many of the challenges noted above are applicable in China, which is a fast developing market for the semiconductor equipment industry and therefore an area of potential significant growth for our business. As the business volume between China and the rest of the world grows, there is inherent risk, based on the complex relationships between China, Taiwan, Japan, and the United States that political and diplomatic influences might lead to trade disruptions; this would adversely affect our business with China and/or Taiwan and perhaps the entire Asia Pacific region. A significant trade disruption in these areas could have a materially adverse impact on our future revenue and profits.

We are potentially exposed to adverse as well as beneficial movements in foreign currency exchange rates. The majority of our sales and expenses are denominated in U.S. dollars. However, we are exposed to foreign currency exchange rate fluctuations related to certain of our revenues denominated in Japanese yen and Euros, as well as certain of our spares and service contracts, Euro denominated expenses, and expenses related to our non-U.S. sales and support offices that are denominated in the related countries' local currency.

We currently enter into foreign exchange forward contracts to minimize the short-term impact of the foreign currency exchange rate fluctuations on Japanese yen-denominated revenue and monetary assets and liabilities, as well as monetary assets and liabilities denominated in Swiss francs, Euros and Taiwanese dollars. We currently believe these are our primary exposures to currency rate fluctuation. We expect to continue to enter into hedging transactions, for the purposes outlined, in the foreseeable future. However, these hedging transactions may not achieve their desired effect because differences between the actual timing of customer acceptances and our forecasts of those acceptances may leave us either over- or under-hedged on any given transaction. Moreover, by hedging these foreign currency denominated revenues, monetary assets and liabilities with foreign exchange forward contracts, we may miss favorable currency trends that would have been advantageous to us but for the hedges. Additionally, we are exposed to short-term foreign currency exchange rate fluctuations on non-U.S. dollar-denominated assets and liabilities (other than those currency exposures previously discussed) and currently we do not enter into foreign exchange forward contracts to hedge these other foreign currency exposures. Therefore, we are subject to both favorable and unfavorable foreign currency exchange rate fluctuations to the extent that we transact business (including intercompany transactions) in other currencies.

Our Ability To Attract, Retain and Motivate Key Employees Is Critical To Our Success.

Our ability to compete successfully depends in large part on our ability to attract, retain and motivate key employees. This is an ongoing challenge due to intense competition for top talent, as well as fluctuations in industry economic conditions that may require cycles of hiring activity and workforce reductions. Our success in hiring depends on a variety of factors, including the attractiveness of our compensation and benefit programs and our ability to offer a challenging and rewarding work environment. We periodically evaluate our overall compensation programs and make adjustments, as appropriate, to maintain or enhance their competitiveness. If we are not able to successfully attract, retain and motivate key employees, we may be unable to capitalize on market opportunities and our operating results may be materially and adversely affected.

We Rely Upon Certain Critical Information Systems for the Operation of Our Business

We maintain and rely upon certain critical information systems for the effective operation of our business. These information systems include telecommunications, the internet, our corporate intranet, various computer hardware and software applications, network communications, and e-mail. These information systems may be owned and maintained by us, our outsource providers or third parties such as vendors and contractors. These information systems are subject to attacks, failures, and access denials from a number of potential sources including viruses, destructive or inadequate code, power failures, and physical damage to computers, hard drives, communication lines, and networking equipment. To the extent that these information systems are under our control, we have implemented security procedures, such as virus protection software and emergency recovery processes, to mitigate the outlined risks. However, security procedures for information systems cannot be guaranteed to be failsafe and our inability to use or access these information systems at critical points in time could unfavorably impact the timely and efficient operation of our business.

Our Financial Results May be Adversely Impacted by Higher Than Expected Tax Rates or Exposure to Additional Tax Liabilities

As a global company, our effective tax rate is highly dependent upon the geographic composition of worldwide earnings and tax regulations governing each region. We are subject to income taxes in the United States and various foreign jurisdictions, and significant judgment is required to determine worldwide tax liabilities. Our effective tax rate could be adversely affected by changes in the split of earnings between countries with differing statutory tax rates, in the valuation of deferred tax assets, in tax laws, or by material audit assessments. These factors could affect our profitability. In particular, the carrying value of deferred tax assets, which are predominantly in the United States, is dependent on our ability to generate future taxable income in the United States. In addition, the amount of income taxes we pay is subject to ongoing audits in various jurisdictions, and a material assessment by a governing tax authority could affect our profitability.

A Failure to Comply with Environmental Regulations May Adversely Affect Our Operating Results

We are subject to a variety of governmental regulations related to the discharge or disposal of toxic, volatile or otherwise hazardous chemicals. We believe that we are generally in compliance with these regulations and that we have obtained (or will obtain or are otherwise addressing the need for) all environmental permits necessary to conduct our business. These permits generally relate to the disposal of hazardous wastes. Nevertheless, the failure to comply with present or future regulations could result in fines being imposed on us, require us to suspend production, or cease operations or cause our customers' to not accept our products. These regulations could require us to alter our current operations, to acquire significant additional equipment or to incur substantial other expenses to comply with environmental regulations. Our failure to control the use, sale, transport or disposal of hazardous substances could subject us to future liabilities.

If We Choose to Acquire or Dispose of Product Lines and Technologies, We May Encounter Unforeseen Costs and Difficulties That Could Impair Our Financial Performance

An important element of our management strategy is to review acquisition prospects that would complement our existing products, augment our market coverage and distribution ability, or enhance our technological capabilities. As a result, we may make acquisitions of complementary companies, products or technologies, such as our March 2008 acquisition of SEZ Holding AG ("SEZ"), or we may reduce or dispose of certain product lines or technologies that no longer fit our long-term strategies. Managing an acquired business, disposing of product technologies or reducing personnel entail numerous operational and financial risks, including difficulties in assimilating acquired operations and new personnel or separating existing business or product groups, diversion of management's attention away from other business concerns, amortization of acquired intangible assets and potential loss of key employees or customers of acquired or disposed operations. There can be no assurance that we will be able to achieve and manage successfully any such integration of potential acquisitions, disposition of product lines or technologies, or reduction in personnel or that our management, personnel, or systems will be adequate to support continued operations. Any such inabilities or inadequacies could have a material adverse effect on our business, operating results, financial condition, and cash flows.

In addition, any acquisition could result in changes such as potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities, the amortization of related intangible assets, and goodwill impairment charges, any of which could materially adversely affect our business, financial condition, and results of operations and/or the price of our Common Stock.

The Market for Our Common Stock is Volatile, Which May Affect Our Ability to Raise Capital or Make Acquisitions

The market price for our Common Stock is volatile and has fluctuated significantly over the past years. The trading price of our Common Stock could continue to be highly volatile and fluctuate widely in response to a variety of factors, many of which are not within our control or influence. These factors include but are not limited to the following:

- general market, semiconductor, or semiconductor equipment industry conditions;
- economic or political events and trends occurring globally or in any of our key sales regions;
- variations in our quarterly operating results and financial condition, including our liquidity;
- variations in our revenues, earnings or other business and financial metrics from forecasts by us or securities analysts, or from those experienced by other companies in our industry;
- announcements of restructurings, reductions in force, departure of key employees, and/or consolidations of operations;
- government regulations;
- developments in, or claims relating to, patent or other proprietary rights;
- technological innovations and the introduction of new products by us or our competitors;
- commercial success or failure of our new and existing products; or
- disruptions of relationships with key customers or suppliers.

In addition, the stock market experiences significant price and volume fluctuations. Historically, we have witnessed significant volatility in the price of our Common Stock due in part to the actual or anticipated movement in interest rates and the price of and markets for semiconductors. These broad market and industry factors have and may again adversely affect the price of our Common Stock, regardless of our actual operating performance. In the past, following volatile periods in the price of their stock, many companies became the object of securities class action litigation. If we are sued in a securities class action, we could incur substantial costs, and it could divert management's attention and resources and have an unfavorable impact on our financial performance and the price for our Common Stock.

Intellectual Property, Indemnity and Other Claims Against Us Can be Costly and We Could Lose Significant Rights That are Necessary to Our Continued Business and Profitability

Third parties may assert infringement, unfair competition, product liability, breach of contract, or other claims against us. From time to time, other parties send us notices alleging that our products infringe their patent or other intellectual property rights. In addition, law enforcement authorities may seek criminal charges relating to intellectual property issues. We also face risks of claims from commercial and other relationships. In addition, our Bylaws and indemnity obligations provide that we will indemnify officers and directors against losses that they may incur in legal proceedings resulting from their service to Lam Research. In such cases, it is our policy either to defend the claims or to negotiate licenses or other settlements on commercially reasonable terms. However, we may be unable in the future to negotiate necessary licenses or reach agreement on other settlements on commercially reasonable terms, or at all, and any litigation resulting from these claims by other parties may materially adversely affect our business and financial results. Moreover, although we seek to obtain insurance to protect us from claims and cover losses to our property, there is no guarantee that such insurance will fully compensate us for any losses that we may incur.

We May Fail to Protect Our Critical Proprietary Technology Rights, Which Could Affect Our Business

Our success depends in part on our proprietary technology and our ability to protect key components of that technology through patents, copyrights and trade secret protection. Protecting our key proprietary technology helps us to achieve our goals of developing technological expertise and new products and systems that give us a competitive advantage; increasing market penetration and growth of our installed base; and providing comprehensive support and service to our customers. As part of our strategy to protect our technology we currently hold a number of United States and foreign patents and pending patent applications. However, other parties may challenge or attempt to invalidate or circumvent any patents the United States or foreign governments issue to us or these governments may fail to issue patents for pending applications. Additionally, even when patents are issued, the legal systems in certain of the countries in which we do business do not enforce patents and other intellectual property rights as rigorously as the United States. The rights granted or anticipated under any of our patents or pending patent applications may be narrower than we expect or, in fact, provide no competitive advantages. Any of these circumstances could have a material adverse impact on our business if they relate to critical technologies.

Compliance with Federal Securities Laws, Rules and Regulations, as well As NASDAQ Requirements, has Become Increasingly Complex, and the Significant Attention and Expense We Must Devote to those Areas May Have an Adverse Impact on Our Business

Federal securities laws, rules and regulations, as well as NASDAQ rules and regulations, require companies to maintain extensive corporate governance measures, impose comprehensive reporting and disclosure requirements, set strict independence and financial expertise standards for audit and other committee members and impose civil and criminal penalties for companies and their chief executive officers, chief financial officers and directors for securities law violations. These laws, rules and regulations have increased, and in the future are expected to continue to increase, the scope, complexity and cost of our corporate governance, reporting and disclosure practices, which could harm our results of operations and divert management's attention from business operations. A failure to comply with these regulations could also have a material adverse effect on our business.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Our executive offices and principal operating and R&D facilities are located in Fremont, California, and are held under operating leases expiring from fiscal years 2012 to 2015. These leases generally include options to renew or purchase the facilities. In addition, we lease properties for our service, technical support and sales personnel throughout the United States, Europe, Taiwan, Korea, Japan, and Asia Pacific and own manufacturing facilities located in Eaton, Ohio and Villach, Austria. Our fiscal years 2010, 2009, and 2008 rental expense for the space occupied during those periods aggregated approximately $6 million, $9 million, and $11 million respectively. Our facilities lease obligations are subject to periodic increases. We believe that our existing facilities are well-maintained and in good operating condition.

Item 3. *Legal Proceedings*

From time to time, we have received notices from third parties alleging infringement of their patent or other intellectual property rights. In such cases it is our policy to defend the claims, or negotiate licenses on commercially reasonable terms as appropriate. However, no assurance can be given that we will be able to negotiate necessary licenses on commercially reasonable terms, or at all. Any litigation resulting from such claims could have a materially adverse effect on our consolidated financial position, liquidity, operating results, or our consolidated financial statements taken as a whole.

Item 4. *Removed and Reserved*

PART II

Item 5. ***Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Our Common Stock is traded on the Nasdaq Global Select Market under the symbol LRCX. As of August 13, 2010 we had 358 stockholders of record. In fiscal years 2010 and 2009 we did not declare or pay cash dividends to our stockholders. We currently have no plans to declare or pay cash dividends. The table below sets forth the high and low prices of our common stock as reported by The NASDAQ Stock Market, Inc. for the period indicated:

	2010	
	High	Low
First Quarter	$35.21	$25.44
Second Quarter	$39.16	$32.50
Third Quarter	$41.43	$32.25
Fourth Quarter	$42.90	$36.58

	2009	
	High	Low
First Quarter	$40.42	$30.00
Second Quarter	$31.98	$14.72
Third Quarter	$25.47	$18.24
Fourth Quarter	$29.23	$22.01

On September 8, 2008, the Company announced that its Board of Directors had authorized the repurchase of up to $250 million of Company common stock from the public market or in private purchases, using the Company's available cash. While the repurchase program does not have a defined termination date, it may be suspended, discontinued or reinstated at any time.

The Company temporarily suspended repurchases under the Board-authorized program prior to the end of the December 2008 quarter. Subsequently, on February 2, 2010, the Board of Directors authorized the resumption of the repurchase program. Repurchases were expected to be made only in the amounts necessary to offset anticipated dilution resulting from the Company's equity compensation plans.

Share repurchases under the repurchase program were as follows (in thousands except per share data):

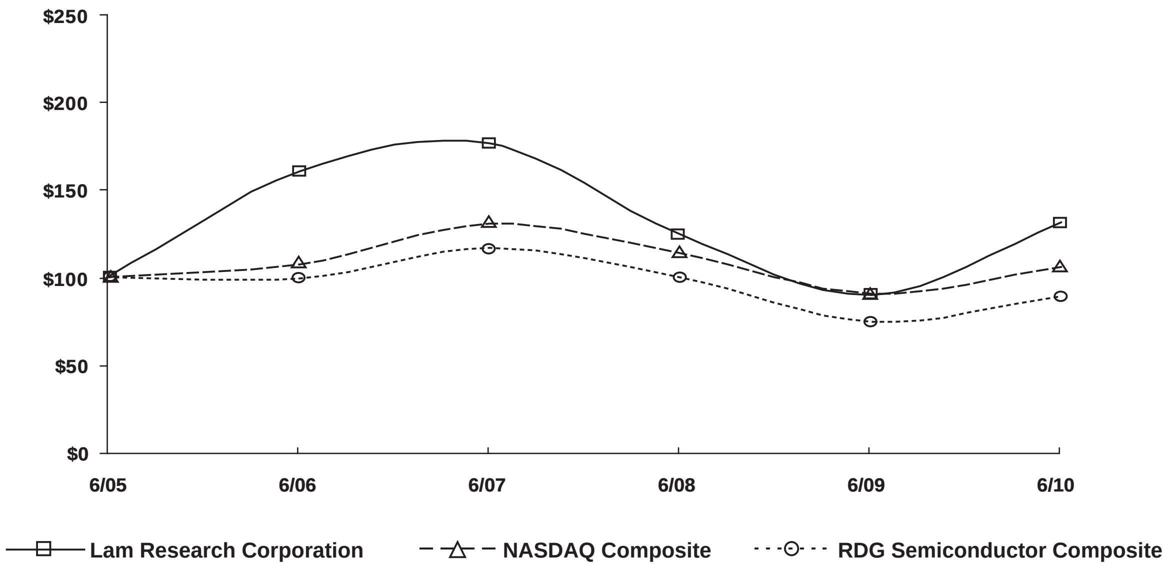
Period	Total Number of Shares Repurchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Amount Available Under Repurchase Program
	(in thousands, except per share data)			
As of June 28, 2009	—	$ —	—	$226,942
Quarter Ending September 27, 2009	79	$30.19	—	$226,942
Quarter Ending December 27, 2009	14	$34.91	—	$226,942
Quarter Ending March 28, 2010	2,096	$34.46	2,000	$158,268
March 29, 2010 — April 25, 2010	2	$38.82	—	$158,268
April 26, 2010 — May 23, 2010	90	$41.04	—	$158,268
May 24, 2010 — June 27, 2010	701	$39.56	697	$130,693
	2,982	$35.74	2,697	$130,693

(1) Included in the 2,982,000 shares indicated in the table above are 285,000 shares that the Company withheld through net share settlements to cover tax withholding obligations upon the vesting of restricted stock unit awards under the Company's equity compensation plans.

The graph below compares Lam Research Corporation's cumulative 5-year total shareholder return on common stock with the cumulative total returns of the NASDAQ Composite index and the Research Data Group, Incorporated ("RDG") Semiconductor Composite index. The graph tracks the performance of a $100 investment in our common stock and in each of the indices (with the reinvestment of all dividends) from June 30, 2005 to June 30, 2010.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

AMONG LAM RESEARCH CORPORATION, THE NASDAQ COMPOSITE INDEX
AND THE RDG SEMICONDUCTOR COMPOSITE INDEX



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* $100 invested on 6/30/05 in stock or index, including reinvestment of dividends.

Fiscal year ending June 30.

	6/05	6/06	6/07	6/08	6/09	6/10
Lam Research Corporation	**100.00**	**161.38**	**177.55**	**124.87**	**89.81**	**131.47**
NASDAQ Composite	**100.00**	**107.08**	**130.99**	**114.02**	**90.79**	**105.54**
RDG Semiconductor Composite	**100.00**	**99.04**	**117.18**	**99.83**	**74.03**	**89.20**

Item 6. Selected Financial Data *(derived from audited financial statements)*

	Year Ended				
	June 27, 2010 (1)	**June 28, 2009 (1)**	**June 29, 2008 (1)**	**June 24, 2007**	**June 25, 2006**
	(in thousands, except per share data)				
OPERATIONS:					
Revenue	$2,133,776	$1,115,946	$2,474,911	$2,566,576	$1,642,171
Gross margin	969,935	388,734	1,173,406	1,305,054	827,012
Goodwill impairment (2)	—	96,255	—	—	—
Restructuring charges and asset impairments, net (3)	21,314	44,513	6,366	—	—
409A expense (4)	(38,590)	3,232	44,494	—	—
Legal judgment	—	4,647	—	—	—
In-process research and development	—	—	2,074	—	—
Operating income (loss)	425,410	(281,243)	509,431	778,660	404,768
Net income (loss)	346,669	(302,148)	439,349	685,816	335,210
Net income (loss) per share:					
Basic	$ 2.73	$ (2.41)	$ 3.52	$ 4.94	$ 2.42
Diluted	$ 2.71	$ (2.41)	$ 3.47	$ 4.85	$ 2.33
BALANCE SHEET:					
Working capital	$1,198,004	$ 855,064	$1,280,028	$ 743,563	$1,138,720
Total assets	2,487,392	1,993,184	2,806,755	2,101,605	2,327,382
Long-term obligations, less current portion	160,600	158,019	385,132	252,487	350,969

(1) Fiscal year 2010, 2009 and 2008 amounts include the operating results of SEZ from the acquisition date of March 11, 2008. The acquisition was accounted for as a business combination in accordance with the applicable accounting guidance. See Note 15 of Notes to Consolidated Financial Statements for additional information.

(2) During fiscal year 2009, a combination of factors, including the economic environment, a sustained decline in our market valuation and a decline in our operating results indicated possible impairment of our goodwill. We conducted an analysis and concluded that the fair value of our Clean Product Group had been reduced below its carrying value. As a result, we recorded a non-cash goodwill impairment charge of approximately $96.3 million during fiscal year 2009.

(3) Restructuring charges and asset impairments, net exclude restructuring charges included in cost of goods sold and reflected in gross margin of $3.4 million, $21.0 million, and $12.6 million for fiscal years 2010, 2009, and 2008, respectively. Restructuring and asset impairment amounts included in cost of goods sold and reflected in gross margin during fiscal year 2010 primarily related to asset impairments for production efficiencies and shifts in product demands partially offset by the recovery of expenses related to previously impaired inventory. Restructuring amounts included in cost of goods sold and reflected in gross margin during fiscal year 2009 primarily relate to the Company's alignment of its cost structure with the outlook for the current economic environment and future business opportunities. The restructuring amounts in fiscal year 2008 primarily related to the integration of SEZ.

(4) 409A expense excludes a credit included in cost of goods sold and reflected in gross margin of $5.8 million in fiscal year 2010 related to a reversal of accrued liabilities due to final settlement of matters associated with our Internal Revenue Code Section 409A ("409A") expenses from the 2007 voluntary independent stock option review. 409A expense excludes an expense included in cost of goods sold and reflected in gross margin of $6.4 million during fiscal year 2008. Following a voluntary independent review of its historical stock option granting process, the Company considered whether Section 409A of the Internal Revenue Code of 1986, as amended ("IRC"), and similar provisions of state law, applied to certain stock option grants as to which, under the applicable accounting guidance, intrinsic value was deemed to exist at

the time of the options' measurement dates. If, under applicable tax principles, an employee stock option is not considered as granted with an exercise price equal to the fair market value of the underlying stock on the grant date, then the optionee may be subject to federal and state penalty taxes under Section 409A (collectively, "Section 409A liabilities"). On March 30, 2008, the Board of Directors authorized the Company (i) to assume potential Section 409A Liabilities, inclusive of applicable penalties and interest, of current and past employees arising from the exercise in 2006 or 2007 of Company stock options that vested after 2004, and (ii) if necessary, to compensate such employees for additional tax liability associated with that assumption.

UNAUDITED SELECTED QUARTERLY FINANCIAL DATA

	Three Months Ended (1)			
	June 27, 2010	March 28, 2010	December 27, 2009 (2)	September 27, 2009 (2)
	(in thousands, except per share data)			
QUARTERLY FISCAL YEAR 2010:				
Revenue	$695,289	$ 632,763	$487,176	$318,548
Restructuring and asset impairments — cost of goods sold	3,438	—	—	—
409A expense — cost of goods sold	—	—	(2,696)	(3,120)
Gross margin	321,442	292,871	221,187	134,435
Restructuring and asset impairments — operating expenses	13,302	—	5,919	2,093
409A expense — operating expenses	—	—	(18,362)	(20,228)
Operating income	155,717	149,093	91,348	29,252
Net income	139,997	120,301	69,574	16,797
Net income per share				
Basic	$ 1.11	$ 0.94	$ 0.55	$ 0.13
Diluted	$ 1.10	$ 0.94	$ 0.54	$ 0.13
Number of shares used in per share calculations:				
Basic	126,339	127,307	127,296	126,774
Diluted	127,786	128,587	128,829	127,890

	Three Months Ended (1)			
	June 28, 2009	March 29, 2009	December 28, 2008	September 28, 2008
	(in thousands, except per share data)			
QUARTERLY FISCAL YEAR 2009:				
Revenue	$217,764	$ 174,412	$283,409	$440,361
Restructuring and asset impairments — cost of goods sold	—	10,217	7,728	3,048
Gross margin	67,757	36,515	101,352	183,110
Goodwill impairment — operating expenses	7,179	89,076	—	—
Restructuring and asset impairments — operating expenses	5,396	13,028	10,121	15,968
409A expense — operating expenses	982	646	843	761
Legal judgment — operating expenses	4,647	—	—	—
Operating income	(65,186)	(195,184)	(37,392)	16,519
Net income	(88,490)	(198,359)	(24,172)	8,873
Net income per share				
Basic	$ (0.70)	$ (1.58)	$ (0.19)	$ 0.07
Diluted	$ (0.70)	$ (1.58)	$ (0.19)	$ 0.07
Number of shares used in per share calculations:				
Basic	126,273	125,566	125,084	125,527
Diluted	126,273	125,566	125,084	126,819

(1) Our reporting period is a 52/53-week fiscal year. The fiscal years ended June 27, 2010 and June 28, 2009 both included 52 weeks. All quarters presented above included 13 weeks.

(2) Certain amounts as reported in the Condensed Consolidated Financial Statements for the three months ended September 27, 2009 and December 27, 2009 have been revised to correct the allocation of 409A expense between cost of goods sold and operating expenses.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

The following discussion of our financial condition and results of operations contains forward-looking statements, which are subject to risks, uncertainties and changes in condition, significance, value and effect. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including but not limited to those discussed in "Risk Factors" and elsewhere in this 2010 Form 10-K and other documents we file from time to time with the Securities and Exchange Commission. (See "Cautionary Statement Regarding Forward-Looking Statements" in Part I of this 2010 Form 10-K).

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") provides a description of our results of operations and should be read in conjunction with our Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements included in this 2010 Form 10-K. MD&A consists of the following sections:

Executive Summary provides a summary of the key highlights of our results of operations and our management's assessment of material trends and uncertainties relevant to our business

Results of Operations provides an analysis of operating results

Critical Accounting Policies and Estimates discusses accounting policies that reflect the more significant judgments and estimates used in the preparation of our consolidated financial statements

Liquidity and Capital Resources provides an analysis of cash flows, contractual obligations and financial position

Executive Summary

We design, manufacture, market, refurbish, and service semiconductor processing equipment used in the fabrication of integrated circuits and are recognized as a major provider of such equipment to the worldwide semiconductor industry. Our customers include semiconductor memory and foundry manufacturers that make DRAM, flash memory, and logic integrated circuits for a wide range of consumer and industrial electronics. Semiconductor wafers are subjected to a complex series of process and preparation steps that result in the simultaneous creation of many individual integrated circuits. We leverage our expertise in the areas of etch and single-wafer clean to develop processing solutions that typically benefit our customers through lower defect rates, enhanced yields, faster processing time, and/or reduced cost as well as by facilitating their ability to meet more stringent performance and design standards.

The semiconductor industry is cyclical in nature and has historically experienced periodic and pronounced downturns and upturns. Today's leading indicators of change in customer investment patterns may not be any more reliable than in prior years. Demand for our equipment can vary significantly from period to period as a result of various factors, including, but not limited to, economic conditions (both general and in the semiconductor and electronics industries), supply, demand, prices for semiconductors, customer capacity requirements, and our ability to develop, acquire, and market competitive products. For these and other reasons, our results of operations for fiscal years 2010, 2009, and 2008 may not necessarily be indicative of future operating results.

Adverse conditions in the global economy during 2008 and 2009 severely reduced customer demand for our products, resulting in reduced revenue and profits throughout fiscal 2009. After three quarters of net losses, we returned to profitability in the September 2009 quarter as worldwide demand for wafer fabrication equipment began to recover. Our shipments, revenue and net income increased significantly in fiscal year 2010 compared to 2009, as both industry and global economic conditions continued to improve. We expect the same to be true for calendar year 2010 versus calendar year 2009 given our current view of wafer fabrication equipment spending.

We believe that, over the long term, demand for our products will continue to increase as our customers' capital expenditures increase to meet growing demand for semiconductor devices. However, historically, any improvement in demand for semiconductor manufacturing equipment occurs at an uneven pace. Accordingly, any forecasts about demand for wafer fabrication equipment in the near term are subject to uncertainty, and we could experience significant volatility in our quarterly results of operations over the next several quarters.

The following summarizes certain key annual financial information for the periods indicated below:

	Year Ended						
	June 27, 2010	June 28, 2009	June 29, 2008	FY10 vs. FY09		FY09 vs. FY08	
	(in thousands, except per share data and percentages)						
Revenue	$2,133,776	$1,115,946	$2,474,911	$1,017,830	91.2%	$(1,358,965)	-54.9%
Gross margin	969,935	388,734	1,173,406	$ 581,201	149.5%	$ (784,672)	-66.9%
Gross margin as a percent of total revenue	45.5%	34.8%	47.4%	10.7%		-12.6%	
Total operating expenses	544,525	669,977	663,975	$ (125,452)	-18.7%	$ 6,002	0.9%
Net income (loss)	346,669	(302,148)	439,349	$ 648,817	214.7%	$ (741,497)	-168.8%
Diluted net income (loss) per share	$ 2.71	$ (2.41)	$ 3.47	$ 5.12	212.4%	$ (5.88)	-169.5%

Fiscal year 2010 results compared with fiscal year 2009 results reflect continued improvement in the global business environment and in the semiconductor industry, improved foundry fabrication utilization and an increase in the rate of next-generation DRAM and NAND technology conversions by leading memory companies. This comparison is in sharp contrast to the decline in revenue in fiscal year 2009 compared to fiscal year 2008, and the resulting net loss in 2009.

Throughout calendar year 2009 and the first half of calendar year 2010, we maintained our investments in new product R&D to defend our market share and win new application share. Our activities also focused on improving customer productivity in our installed base by delivering continuously improved performance and lower cost of ownership. We continued to develop the operational capability to rapidly respond to short lead-time customer orders, and believe that these activities will allow us to maintain and grow our cash position over time.

We believe that the total market for wafer-fabrication equipment will increase substantially in calendar year 2010 as compared to 2009 and currently anticipate year-on-year growth in our customer shipments as a result of both expansion of the market as a whole and increases in our market share.

While conditions in our industry have clearly improved and we currently anticipate industry and market share growth in calendar year 2010, we cannot predict the robustness or pace of any macroeconomic recovery. The electronics and semiconductor industries remain significantly linked to growth in worldwide GDP and consumer spending.

Fiscal year 2010 revenues increased 91% compared to fiscal year 2009, primarily reflecting increased system shipments driven by growth in customer demand. Fiscal year 2010 shipments were approximately $2.3 billion and increased 136% as compared to fiscal year 2009. The increase in gross margin as a percentage of revenue for the fiscal year 2010 compared to fiscal year 2009 was due primarily to increased revenue along with improved factory utilization and a more favorable product mix as well as a decrease in restructuring and asset impairment charges recorded in cost of goods sold.

Operating expenses in fiscal year 2010 decreased as compared to fiscal year 2009. This decrease was primarily due to a decrease in restructuring charges and asset and goodwill impairments from approximately $141 million in fiscal year 2009 to $21 million in fiscal year 2010 and a credit in fiscal year 2010 of approximately $39 million related to a reversal of accrued liabilities due to final settlement of matters associated with our Internal Revenue Code Section 409A expenses from the 2007 voluntary independent stock option review as compared to a charge of $3 million in fiscal year 2009. These factors were partially offset by the restoration of employee salaries and benefits, as well as higher variable compensation expense associated with our improved profitability.

Our cash and cash equivalents, short-term investments, and restricted cash and investments balances totaled approximately $992 million as of June 27, 2010 compared to $758 million as of June 28, 2009. We generated approximately $351 million in net cash provided by operating activities during fiscal year 2010, compared to net use of cash by operating activities of $78 million in fiscal year 2009.

Results of Operations

Shipments and Backlog

	Year Ended		
	June 27, 2010	**June 28, 2009**	**June 29, 2008**
Shipments (in millions)	$2,304	$ 976	$2,367
North America	8%	16%	16%
Europe	7%	11%	9%
Japan	15%	20%	20%
Korea	27%	21%	22%
Taiwan	32%	20%	20%
Asia Pacific	11%	12%	13%

Shipments for fiscal year 2010 increased by 136% compared to fiscal year 2009, reflecting improvements in the industry and economic environment as noted above. Shipments for fiscal year 2009 decreased sequentially from fiscal year 2008 by 59% reflecting declines in customer demand, consistent with the deterioration in the general economy and, specifically, the downturn in the semiconductor industry which had been impacted by a decline in consumer spending for electronic goods.

During fiscal year 2010, 300 millimeter applications represented approximately 96% of total systems shipments and 96% of total systems shipments were for applications at less than or equal to the 65 nanometer technology node. During fiscal year 2009, 300 millimeter applications represented approximately 90% of total systems shipments and 87% of total systems shipments were for applications at less than or equal to the 65 nanometer technology node. Fiscal year 2010 shipments consisted of: Memory at approximately 61%, Foundry at 29% and Integrated Device Manufacturers and Logic at 10%. Fiscal year 2009 shipments consisted of: Memory at approximately 58%, Foundry at 21%, and Integrated Device Manufacturers and Logic at 21%.

Unshipped orders in backlog as of June 27, 2010 were approximately $667 million and increased from approximately $391 million as of June 28, 2009 consistent with improved spending commitments from our customers. Our unshipped orders backlog includes orders for systems, spares, and services. Please refer to "Backlog" in Part I Item 1, "Business" of this report for a description of our policies for adding to and adjusting backlog.

Revenue

	Year Ended		
	June 27, 2010	**June 28, 2009**	**June 29, 2008**
Revenue (in thousands)	$2,133,776	$1,115,946	$2,474,911
North America	9%	15%	17%
Europe	6%	11%	10%
Japan	15%	21%	18%
Korea	25%	21%	22%
Taiwan	33%	19%	20%
Asia Pacific	12%	13%	13%

The revenue increase during fiscal year 2010 compared to fiscal year 2009 reflected improvements in the industry and economic environments as noted above. The revenue decline during fiscal year 2009 compared to fiscal year 2008 reflected adverse conditions in the global economy and semiconductor industry as noted above. Our revenue levels are generally correlated to the amount of shipments and our installation and acceptance timelines. The overall Asia region continues to account for a predominant portion of our revenues as a substantial amount of the worldwide capacity additions for semiconductor manufacturing continues to occur in this region, and the concentration of revenue within the overall Asia region increased in fiscal year 2010 as it had in fiscal year 2009. Our deferred revenue balance increased to $207.4 million as of June 27, 2010 compared to $64.7 million as of June 28, 2009, consistent with increased customer spending levels during fiscal year 2010. Our deferred revenue balance does not include shipments to Japanese customers, to whom title does not transfer until customer acceptance. Shipments to Japanese customers are classified as inventory at cost until the time of acceptance. The anticipated future revenue value from shipments to Japanese customers was approximately $52 million as of June 27, 2010 compared to $13 million as of June 28, 2009.

Gross Margin

	Year Ended						
	June 27, 2010	June 28, 2009	June 29, 2008	FY10 vs. FY09		FY09 vs. FY08	
	(in thousands, except percentages)						
Gross margin	$969,935	$388,734	$1,173,406	$581,201	149.5%	$(784,672)	-66.9%
Percent of total revenue	45.5%	34.8%	47.4%	10.7%		-12.6%	

The increase in gross margin as a percentage of revenue for fiscal year 2010 compared to fiscal year 2009 was due primarily to improved product mix and more favorable absorption from the factories. Additionally, there was a decrease in restructuring and asset impairments included in gross margin from approximately $21 million in fiscal year 2009 to $3 million in fiscal year 2010 and a credit in fiscal year 2010 of approximately $6 million related to a reversal of accrued liabilities due to final settlement of matters associated with our Internal Revenue Code Section 409A expenses from the 2007 voluntary independent stock option review.

The decrease in gross margin as a percent of revenue for fiscal year 2009 compared with fiscal year 2008 was primarily due to decreased factory and field utilization as a result of reduced shipment volumes on declining customer demand, changes in our product mix, customer concentration, and $21 million of one-time restructuring and asset impairment expenses, partially offset by favorable warranty performance.

Research and Development

	Year Ended						
	June 27, 2010	June 28, 2009	June 29, 2008	FY10 vs. FY09		FY09 vs. FY08	
	(in thousands, except percentages)						
Research & development	$320,859	$288,269	$323,759	$32,590	11.3%	$(35,490)	-11.0%
Percent of total revenue	15.0%	25.8%	13.1%	-10.8%		12.7%	

We continue to make significant investments in R&D focused on plasma etch, single-wafer clean and other semiconductor manufacturing products. The increase in R&D spending during fiscal year 2010 compared to fiscal year 2009 was due primarily to higher other employee compensation, salaries, and benefits of $25 million, mainly as a result of stronger company profitably, and higher outside services and supplies of $5 million related to customer penetration activities.

Approximately 24% and 79% of fiscal years 2010 and 2009 systems revenues, respectively, were derived from products introduced over the previous two years, which is reflective of our continued investment in new products and technologies.

The decline in R&D spending during fiscal year 2009 compared to fiscal year 2008, included approximately $8 million of lower salary and benefits related to cost savings measures, $11 million in lower other employee compensation on lower profits and a $26 million decrease in outside services and supplies, partially offset by $5 million in depreciation and amortization mainly related to the inclusion of the acquisition of SEZ in March 2008.

Selling, General and Administrative

	Year Ended						
	June 27, 2010	June 28, 2009	June 29, 2008	FY10 vs. FY09		FY09 vs. FY08	
	(in thousands, except percentages)						
Selling, general & administrative (“SG&A”)	$240,942	$233,061	$287,282	$7,881	3.4%	$(54,221)	-18.9%
Percent of total revenue	11.3%	20.9%	11.6%	-9.6%		9.3%	

The growth in SG&A expense during fiscal year 2010 compared to fiscal year 2009 was driven by increases of approximately $26 million in other employee compensation as a result of increased company profitability offset by a $9 million decline in depreciation, rent and utilities expenses primarily as a result of restructuring activities, and $7 million due to a non-recurring accounts receivable reserve recorded for specific distressed customers in fiscal year 2009.

The decrease in SG&A expenses during fiscal year 2009 compared to fiscal year 2008 was driven by a reduction of approximately $34 million in other employee compensation as a result of lower company profitability, a reduction of $7 million in salaries and benefits related to cost savings measures, a reduction of $19 million in costs incurred as a result of the voluntary independent stock option review that was completed in fiscal year 2008, and a reduction of $5 million in outside services and supplies, partially offset by a $7 million charge to increase the reserves against our receivables balance for distressed customers.

Goodwill Impairment

During fiscal year 2009, a combination of factors, including the economic environment, a sustained decline in our market valuation, and a decline in our operating results indicated possible impairment of our goodwill. We performed an impairment analysis and concluded that the fair value of our Clean Product Group had been reduced below its carrying value. As a result, we recorded a non-cash goodwill impairment charge of approximately $96.3 million during fiscal year 2009. No indicators of impairment resulted from our fiscal 2010 assessment.

The calculation of the goodwill impairment charge is based on estimates of future operating results. If our future operating results do not meet current forecasts or if we experience a sustained decline in our market capitalization that is determined to be indicative of a reduction in fair value of our businesses, an additional impairment analysis may be required which may result in further impairment charges.

Restructuring and Asset Impairments

During fiscal year 2008, we incurred expenses for restructuring and asset impairment charges of $19.0 million related to the integration of SEZ and overall streamlining of our combined Clean Product Group (“June 2008 Plan”). We incurred additional expenses of $19.0 million under the June 2008 Plan during fiscal year 2009. The charges during fiscal year 2008 included severance and related benefits costs, excess facilities-related costs and certain asset impairments associated with our initial product line integration road maps. The charges during fiscal year 2009 primarily included severance and related benefits costs and certain asset impairments associated with our product line integration road maps. During fiscal year 2010, we recorded a recovery of $2.2 million related primarily to inventory previously restructured in connection with our initial product line integration road maps.

During fiscal year 2009, we incurred expenses of $17.8 million for restructuring and asset impairment charges designed to better align our cost structure with our business opportunities in consideration of market and economic uncertainties (“December 2008 Plan”). The charges consisted primarily of severance and related benefits costs as well as certain facilities related costs and asset impairments.

During fiscal year 2009, we also incurred expenses of $28.6 million for restructuring and asset impairment charges designed to align our cost structure with our outlook for the current economic environment and future business opportunities (“March 2009 Plan”). The charges during fiscal year 2009 consisted primarily of severance and related benefits costs as well as certain facilities related costs and asset impairments. The Company incurred additional expenses of $20.9 million during fiscal 2010 under the March 2009 Plan consisting primarily of certain facilities charges related to the reassessment of future obligations for previously restructured leases, severance and related benefits costs, and asset impairments.

In addition to charges incurred under specific restructuring plans, during fiscal year 2010 we incurred $6.0 million of asset impairment charges related to production efficiencies and shifts in product demands.

For further details related to restructuring and asset impairment, see Note 18 of the Notes to Consolidated Financial Statements.

409A Expense

Following the voluntary independent review of our historical option grant process, we considered whether Section 409A of the Internal Revenue Code and similar provisions of state law would apply to stock options that were found, under applicable accounting guidance, to have intrinsic value at the time of their respective measurement dates. If a stock option is not considered as issued with an exercise price of at least the fair market value of the underlying stock, it may be subject to penalty taxes under Section 409A and similar provisions of state law. In such a case, taxes may be assessed not only on the intrinsic value increase, but on the entire stock option gain as measured at various times. On March 30, 2008, our Board of Directors authorized us to assume potential tax liabilities of certain employees, including our Chief Executive Officer and certain executive officers, relating to options that might be subject to Section 409A and similar provisions of state law. Those liabilities totaled $50.9 million; $44.5 million was recorded in operating expenses and $6.4 million in cost of goods sold in our consolidated statements of operations for fiscal year 2008. We incurred $3.2 million of expense during fiscal year 2009 consisting of interest and legal fees. During fiscal year 2010, we reached final settlement of matters associated with our 409A expenses with the Internal Revenue Service (“IRS”) and California Franchise Tax Board (“FTB”) resulting in a credit of $44.4 million due to the reversal of 409A liabilities. The determinations from the voluntary independent stock option review are more fully described in Note 3, “Restatement of Consolidated Financial Statements” to Consolidated Financial Statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 of our 2007 Form 10-K.

Legal Judgment

Aspect Systems, Inc. (“Aspect”) sued us for breach of contract and various business torts arising out of a transaction in which we licensed Aspect to sell certain of our legacy Autoetch and Drytek products. The case went to trial in the United States District Court for the District of Arizona in December of 2008, resulting in a jury verdict in favor of Aspect. We filed an appeal from the ensuing judgment, which is now pending. We recorded the amount of the legal judgment of $4.6 million in our consolidated statement of operations for the year ended June 28, 2009.

Other Income (Expense), Net

Other income (expense), net, consisted of the following:

	Year Ended June 27, 2010	Year Ended June 28, 2009	Year Ended June 29, 2008	FY10 vs. FY09		FY09 vs. FY08	
	(in thousands, except percentages)						
Interest income	$ 8,598	$24,283	$ 51,194	$(15,685)	-64.6%	$(26,911)	-52.6%
Interest expense	(994)	(6,497)	(12,674)	$ (5,503)	-84.7%	$ (6,177)	-48.7%
Foreign exchange gain (loss)	(103)	922	31,070	$ (1,025)	-111.2%	$(30,148)	-97.0%
Other, net	(2,770)	(558)	(2,045)	$ (2,212)	-396.4%	$ 1,487	72.7%
	$ 4,731	$18,150	$ 67,545				

The decrease in interest income during fiscal year 2010 compared with fiscal year 2009 was primarily due to decreases in our average cash and investment balances and decreases in interest rate yields. The decrease in average balances was primarily due to treasury stock repurchases, capital expenditures, and principal payments on long-term debt. The decrease in interest income during fiscal year 2009 compared with fiscal year 2008 was primarily due to a decrease in our average balances of cash, cash equivalents, short-term investments, and restricted cash and investments throughout fiscal year 2009 and, to a lesser extent, decreases in interest rate yields. The decrease in average balances was primarily related to payment of the outstanding principal balance of $250.0 million of our existing long-term debt with ABN AMRO Bank N.C. (“ABN AMRO”) during fiscal year 2009.

The decrease in interest expense during fiscal years 2010 and 2009 as compared with the prior year was due to our $250.0 million loan payment to ABN AMRO during fiscal year 2009, principal payments on long-term debt and capital leases, and to a lesser extent, decreases in interest rate yields.

Foreign exchange gains in fiscal year 2009 were related to un-hedged portions of the balance sheet exposures, primarily in the Japanese yen, Taiwanese dollar and Euro and were partially offset by $4.0 million of deferred net losses associated with ineffectiveness related to forecasted transactions that were no longer considered probable of occurring and were recognized in “Other income (expense), net” in the Company’s Consolidated Statements of Operations during fiscal year 2009. Included in foreign exchange gains during fiscal year 2008 were gains associated with the acquisition of SEZ of $42.7 million relating primarily to the settlement of a hedge of the Swiss franc. These acquisition-related net foreign exchange gains were partially offset by other foreign exchange losses of approximately $11.6 million during fiscal year 2008; these offsetting losses were primarily due to our foreign currency denominated liabilities with non-U.S. dollar functional subsidiaries where the U.S. dollar weakened against certain currencies, primarily the Euro and Taiwan dollar resulting in the foreign exchange loss. In fiscal year 2009, we implemented a balance sheet hedging program to manage Swiss franc, Euro and Taiwanese dollar foreign currency exchange rate fluctuations and the impact of those fluctuations on our Consolidated Statements of Operations. These exposures are related to monetary assets and liabilities in these currencies. A description of our exposure to foreign currency exchange rates can be found in the Risk Factors section of this report under the heading “Our Future Success Depends on International Sales and Management of Global Operations” and in Note 2 of the Consolidated Financial Statements.

Other expenses increased during fiscal year 2010 as compared with 2009 as the result of increased charitable contributions and the recognition of a $0.9 million realized loss on investments due to an other-than-temporary impairment charge.

Income Tax Expense

Our annual income tax expense was $83.5 million, $39.1 million, and $137.6 million in fiscal years 2010, 2009, and 2008, respectively. Our effective tax rate for fiscal years 2010, 2009, and 2008 was 19.4%, (14.8%), and 23.9%, respectively. The increase in the effective tax rate in fiscal year 2010 is primarily due to the increase in the Company’s income, the change in geographical mix of income between higher and lower tax jurisdictions, adjustments for previously estimated tax liabilities upon the filing of our U.S. tax return and decrease in Federal R&D credit due to the expiration of the credit on December 31, 2009.

The fiscal year 2009 effective tax rate was (14.8%), compared to the fiscal year 2008 effective tax rate of 23.9%. The decrease in the effective tax rate in fiscal year 2009 was primarily due to the Company's loss position. In fiscal year 2009 there were certain events that resulted in a net tax expense. These events included favorable adjustments for previously estimated tax liabilities upon the filing of our U.S. and certain foreign income tax returns and the R&D credit reinstatement offset by tax expense for a change in California law, and a valuation allowance placed on certain foreign deferred tax assets.

Deferred Income Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as the tax effect of carryforwards. Our gross deferred tax assets, composed primarily of reserves and accruals that are not currently deductible and tax credit carryforwards, were $137.4 million and $157.0 million at the end of fiscal years 2010 and 2009, respectively. These gross deferred tax assets were offset by deferred tax liabilities of $36.3 million and $41.9 million at the end of fiscal years 2010 and 2009, respectively, and a valuation allowance of $37.0 million and $35.5 million at the end of fiscal years 2010 and 2009, respectively.

We record a valuation allowance to reduce our deferred tax assets to the amount that is more-likely-than-not to be realized. Realization of our net deferred tax assets is dependent on future taxable income. We believe it is more likely than not that such assets will be realized; however, ultimate realization could be negatively impacted by market conditions and other variables not known or anticipated at this time. In the event that we determine that we would not be able to realize all or part of our net deferred tax assets, an adjustment would be charged to earnings in the period such determination is made. Likewise, if we later determine that it is more-likely-than-not that the deferred tax assets would be realized, then the previously provided valuation allowance would be reversed. Our fiscal years 2010 and 2009 valuation allowance of $37.0 million and $35.5 million relate to certain California and foreign deferred tax assets.

During fiscal year 2010, we recorded an additional valuation allowance on certain California deferred tax assets reflecting the potential impacts of the California law related to the repeal of the cost of performance sales factor sourcing rule and the single sales factor apportionment election. We also recorded a reduction of valuation allowance against certain foreign deferred tax assets due to an increase in the forecasted income for certain foreign entities.

We evaluate the realizability of the deferred tax assets quarterly and will continue to assess the need for additional valuation allowances, if any.

Uncertain Tax Positions

We reevaluate uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make certain judgments, estimates and assumptions that could affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. We based our estimates and assumptions on historical experience and on various other assumptions we believed to be applicable and evaluate them on an ongoing basis to ensure they remain reasonable under current conditions. Actual results could differ significantly from those estimates.

The significant accounting policies used in the preparation of our financial statements are described in Note 2 of our Consolidated Financial Statements. Some of these significant accounting policies are considered to be critical accounting policies. A critical accounting policy is defined as one that has both a material impact on our financial condition and results of operations and requires us to make difficult, complex and/or subjective judgments, often regarding estimates about matters that are inherently uncertain.

We believe that the following critical accounting policies reflect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition: We recognize all revenue when persuasive evidence of an arrangement exists, delivery has occurred and title has passed or services have been rendered, the selling price is fixed or determinable, collection of the receivable is reasonably assured, and we have completed our system installation obligations, received customer acceptance or are otherwise released from our installation or customer acceptance obligations. If terms of the sale provide for a lapsing customer acceptance period, we recognize revenue upon the expiration of the lapsing acceptance period or customer acceptance, whichever occurs first. If the practices of a customer do not provide for a written acceptance or the terms of sale do not include a lapsing acceptance provision, we recognize revenue when it can be reliably demonstrated that the delivered system meets all of the agreed-to customer specifications. In situations with multiple deliverables, we recognize revenue upon the delivery of the separate elements to the customer and when we receive customer acceptance or are otherwise released from our customer acceptance obligations. We allocate revenue from multiple-element arrangements among the separate elements based on their relative fair values, provided the elements have value on a stand-alone basis, there is objective and reliable evidence of fair value, the arrangement does not include a general right of return relative to the delivered item and delivery, or performance of the undelivered item(s) is considered probable and substantially in our control. The maximum revenue we recognize on a delivered element is limited to the amount that is not contingent upon the delivery of additional items. We generally recognize revenue related to sales of spare parts and system upgrade kits upon shipment. We generally recognize revenue related to services upon completion of the services requested by a customer order. We recognize revenue for extended maintenance service contracts with a fixed payment amount on a straight-line basis over the term of the contract.

Inventory Valuation: Inventories are stated at the lower of cost or market using standard costs which generally approximate actual costs on a first-in, first-out basis. We maintain a perpetual inventory system and continuously record the quantity on-hand and standard cost for each product, including purchased components, subassemblies, and finished goods. We maintain the integrity of perpetual inventory records through periodic physical counts of quantities on hand. Finished goods are reported as inventories until the point of title transfer to the customer. Generally, title transfer is documented in the terms of sale. When the terms of sale do not specify title transfer, we assume title transfers when we complete physical transfer of the products to the freight carrier unless other customer practices prevail. Transfer of title for shipments to Japanese customers generally occurs at the time of customer acceptance.

We reassess standard costs as needed but annually at a minimum, and reflect achievable acquisition costs. Acquisition costs are generally based on the most recent vendor contract prices for purchased parts, normalized assembly and test labor utilization levels, methods of manufacturing, and normalized overhead. Manufacturing labor and overhead costs are attributed to individual product standard costs at a level planned to absorb spending at average utilization volumes. We eliminate all intercompany profits related to the sales and purchases of inventory between our legal entities from our consolidated financial statements.

Management evaluates the need to record adjustments for impairment of inventory at least quarterly. Our policy is to assess the valuation of all inventories including manufacturing raw materials, work-in-process, finished goods, and spare parts in each reporting period. Obsolete inventory or inventory in excess of management's estimated usage requirements over the next 12 to 36 months is written down to its estimated market value if less than cost. Estimates of market value include, but are not limited to, management's forecasts related to our future manufacturing schedules, customer demand, technological and/or market obsolescence, general semiconductor market conditions, and possible alternative uses. If future customer demand or market conditions are less favorable than our projections, additional inventory write-downs may be required and would be reflected in cost of goods sold in the period in which we make the revision.

Warranty: Typically, the sale of semiconductor capital equipment includes providing parts and service warranty to customers as part of the overall price of the system. We provide standard warranties for our systems that generally run for a period of 12 months from system acceptance. When appropriate, we record a provision for estimated warranty expenses to cost of sales for each system when we recognize revenue. We do not maintain general or unspecified reserves; all warranty reserves are related to specific systems. The amount recorded is based on an analysis of historical activity which uses factors such as type of system, customer, geographic region, and any known factors such as tool reliability trends. All actual or estimated parts and labor costs incurred in subsequent periods are charged to those established reserves on a system-by-system basis.

Actual warranty expenses are accounted for on a system-by-system basis and may differ from our original estimates. While we periodically monitor the performance and cost of warranty activities, if actual costs incurred are different than our estimates, we may recognize adjustments to provisions in the period in which those differences arise or are identified. In addition to the provision of standard warranties, we offer customer-paid extended warranty services. Revenues for extended maintenance and warranty services with a fixed payment amount are recognized on a straight-line basis over the term of the contract. Related costs are recorded either as incurred or when related liabilities are determined to be probable and estimable.

Equity-based Compensation — Employee Stock Purchase Plan ("ESPP") and Employee Stock Plans: GAAP requires us to recognize the fair value of equity-based compensation in net income. We determine the fair value of our restricted stock units based upon the fair market value of Company stock at the date of grant. We estimate the fair value of our stock options and ESPP awards using the Black-Scholes option valuation model. This model requires us to input highly subjective assumptions, including expected stock price volatility and the estimated life of each award. We amortize the fair value of equity-based awards over the vesting periods of the awards, and we have elected to use the straight-line method of amortization.

We make quarterly assessments of the adequacy of our tax credit pool related to equity-based compensation to determine if there are any deficiencies that we are required to recognize in our consolidated statements of operations. We will only recognize a benefit from stock-based compensation in paid-in-capital if we realize an incremental tax benefit after all other tax attributes currently available to us have been utilized. In addition, we have elected to account for the indirect benefits of stock-based compensation on the research tax credit through the income statement (continuing operations) rather than through paid-in-capital. We have also elected to net deferred tax assets and the associated valuation allowance related to net operating loss and tax credit carryforwards for the accumulated stock award tax benefits for income tax footnote disclosure purposes. We will track these stock award attributes separately and will only recognize these attributes through paid-in-capital.

Income Taxes: Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as the tax effect of carryforwards. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. Realization of our net deferred tax assets is dependent on future taxable income. We believe it is more-likely-than-not that such assets will be realized; however, ultimate realization could be negatively impacted by market conditions and other variables not known or anticipated at the time. In the event that we determine that we would not be able to realize all or part of our net deferred tax assets, an adjustment would be charged to earnings in the period such determination is made. Likewise, if we later determine that it is more-likely-than-not that the deferred tax assets would be realized, then the previously provided valuation allowance would be reversed.

We calculate our current and deferred tax provision based on estimates and assumptions that can differ from the actual results reflected in income tax returns filed during the subsequent year. Adjustments based on filed returns are recorded when identified.

We recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense. Please refer to Note 14 of these Notes to the Consolidated Financial Statements for additional information.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for uncertain tax positions based on the two-step process prescribed within the interpretation. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more-likely-than-not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as this requires us to determine the probability of various possible outcomes. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision in the period such determination is made.

Goodwill and Intangible Assets: Goodwill represents the amount by which the purchase price in each business combination exceeds the fair value of the net tangible and identifiable intangible assets acquired. We allocate the carrying value of goodwill to our reporting units. We test goodwill and identifiable intangible assets with indefinite useful lives for impairment at least annually. We amortize intangible assets with estimable useful lives over their respective estimated useful lives to their estimated residual values, and we review for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable and the carrying amount exceeds its fair value.

We review goodwill at least annually for impairment. If certain events or indicators of impairment occur between annual impairment tests, we would perform an impairment test of goodwill at that date. In testing for a potential impairment of goodwill, we: (1) allocate goodwill to our reporting units to which the acquired goodwill relates; (2) estimate the fair value of our reporting units; and (3) determine the carrying value (book value) of those reporting units, as some of the assets and liabilities related to those reporting units are not held by those reporting units but by a corporate function. Prior to this allocation of the assets to the reporting units, we are required to assess long-lived assets for impairment. Furthermore, if the estimated fair value of a reporting unit is less than the carrying value, we must estimate the fair value of all identifiable assets and liabilities of that reporting unit, in a manner similar to a purchase price allocation for an acquired business. This can require independent valuations of certain internally generated and unrecognized intangible assets such as in-process research and development and developed technology. Only after this process is completed can the amount of goodwill impairment, if any, be determined.

The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis. We determine the fair value of our reporting units by using a weighted combination of both market and an income approach, as this combination is deemed to be the most indicative of fair value in an orderly transaction between market participants.

Under the market approach, we use information regarding the reporting unit as well as publicly available industry information to determine various financial multiples to value our reporting units. Under the income approach, we determine fair value based on estimated future cash flows of each reporting unit, discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn.

In estimating the fair value of a reporting unit for the purposes of our annual or periodic analyses, we make estimates and judgments about the future cash flows of our reporting units, including estimated growth rates and assumptions about the economic environment. Although our cash flow forecasts are based on assumptions that are consistent with the plans and estimates we are using to manage the underlying businesses, there is significant judgment involved in determining the cash flows attributable to a reporting unit. In addition, we make certain judgments about allocating shared assets to the estimated balance sheets of our reporting units. We also consider our market capitalization and that of our competitors on the date we perform the analysis. Changes in judgment on these assumptions and estimates could result in a goodwill impairment charge.

As a result, several factors could result in impairment of a material amount of our goodwill balance in future periods, including, but not limited to: (1) weakening of the global economy, weakness in the semiconductor equipment industry, or failure of the Company to reach its internal forecasts, which could impact our ability to achieve our forecasted levels of cash flows and reduce the estimated discounted cash flow value of our reporting units; and (2) a decline in our stock price and resulting market capitalization, if we determine that the decline is sustained and indicates a reduction in the fair value of our reporting units below their carrying value. In addition, the value we assign to intangible assets, other than goodwill, is based on our estimates and judgments regarding expectations such as the success and life cycle of products and technology acquired. If actual product acceptance differs significantly from our estimates, we may be required to record an impairment charge to write down the asset to its realizable value.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standard Board ("FASB") revised the applicable accounting guidance for business combinations, which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. The revised guidance also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. The accounting treatment of tax benefits from acquired companies has changed under the revised guidance. Any changes to the tax benefits associated with the valuation allowances related to business combinations will be recorded through income tax expense. We adopted the revised guidance on June 29, 2009, and the adoption did not have a significant impact on our results of operations or financial condition.

In December 2007, the FASB issued guidance that establishes accounting and reporting standards for the treatment of noncontrolling interests in a subsidiary. Noncontrolling interests in a subsidiary are to be reported as a component of equity in the consolidated financial statements and any retained noncontrolling equity investment upon deconsolidation of a subsidiary is initially measured at fair value. We adopted the guidance on June 29, 2009, and the adoption did not have a significant impact on our results of operations or financial condition.

In April 2009, the FASB issued guidance to require publicly-traded companies to disclose on the fair value of financial instruments in interim financial statements. We adopted this guidance on June 29, 2009, and the adoption resulted in expanded disclosures, and the adoption did not have a significant impact on our consolidated results of operations or financial condition.

In June 2009, the FASB issued the FASB Accounting Standards Codification ("Codification"). The Codification is the single source for all authoritative GAAP recognized by the FASB to be applied for financial statements issued for periods ending after September 15, 2009. The Codification does not change GAAP and did not have a significant impact on our financial statements.

In September 2009, the FASB ratified guidance from the Emerging Issues Task Force ("EITF") regarding revenue arrangements with multiple deliverables. This guidance addresses criteria for separating the consideration in multiple-element arrangements and will require companies to allocate the overall consideration to each deliverable by using a best estimate of the selling price of individual deliverables in the arrangement in the absence of vendor-specific objective evidence or other third-party evidence of the selling price. This guidance will be effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. We will adopt this guidance in the beginning of fiscal year 2011 and do not believe the adoption will have a significant impact on our results of operations or financial condition.

In September 2009, the FASB also ratified guidance from the EITF regarding certain revenue arrangements that include software elements. This guidance modifies the scope of the software revenue recognition rules to exclude (a) non-software components of tangible products and (b) software components of tangible products that are sold, licensed, or leased with tangible products when the software components and non-software components of the tangible product function together to deliver the tangible product's essential functionality. This guidance will be effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. We will adopt this guidance in the beginning of fiscal year 2011 and do not believe the adoption will have a significant impact on our results of operations or financial condition.

Liquidity and Capital Resources

Total gross cash, cash equivalents, short-term investments, and restricted cash and investments balances were $991.7 million at the end of fiscal year 2010 compared to $757.8 million at the end of fiscal year 2009. This increase was primarily due to cash provided by operations, which was partially offset by treasury stock purchases.

Cash Flows from Operating Activities

Net cash provided by operating activities of $351 million during fiscal year 2010 consisted of (in millions):

Net income	$ 346.7
Non-cash charges:	
Depreciation and amortization	71.4
Equity-based compensation	50.5
Restructuring charges, net	24.7
Net tax benefit on equity-based compensation plans	0.4
Deferred income taxes	13.7
Changes in operating asset and liability accounts	(159.9)
Other	3.2
	$ 350.7

Significant changes in operating asset and liability accounts included the following uses of cash: increases in accounts receivable of $246.7 million, inventories of $79.7 million, and prepaid and other expenses of $23.6 million. These uses of cash were partially offset by the following sources of cash: increases in trade accounts payable of $71.6 million, deferred profit of $77.4 million, and accrued expenses and other liabilities of $41.1 million. These changes in overall cash were all consistent with increased business volumes.

Cash Flows from Investing Activities

Net cash used for investing activities during fiscal year 2010 was $103.4 million which was primarily due to net purchases of investments of $78.0 million and capital expenditures of $35.6 million. These uses of cash were partially offset by transfer of restricted cash and investments of $13.2 million.

Cash Flows from Financing Activities

Net cash used for financing activities during fiscal year 2010 was $72.7 million which was due to stock repurchases of $93.0 million and principal payments on long-term debt and capital lease obligations of $21.0 million. These uses were partially offset by the following sources of cash: proceeds from the reissuance of treasury stock of $17.5 million, proceeds from the issuance of common stock of $13.4 million, and the excess tax benefit on equity-based compensation plans of $10.2 million.

Given the cyclical nature of the semiconductor equipment industry, we believe that maintaining sufficient liquidity reserves is important to support sustaining levels of investment in R&D and capital infrastructure. Based upon our current business outlook, our levels of cash, cash equivalents, and short-term investments at June 27, 2010 are expected to be sufficient to support our presently anticipated levels of operations, investments, debt service requirements, and capital expenditures through at least the next 12 months.

In the longer term, liquidity will depend to a great extent on our future revenues and our ability to appropriately manage our costs based on demand for our products. If we should require additional funding we may need to raise the required funds through borrowings or public or private sales of debt or equity securities. We believe that if we require additional funds, we will be able to access the capital markets on terms and in amounts adequate to meet our objectives. However, given the possibility of changes in market conditions or other occurrences, there can be no certainty that any funding will be available in needed quantities or on terms favorable to us.

Off-Balance Sheet Arrangements and Contractual Obligations

We have certain obligations to make future payments under various contracts. Consistent with GAAP, some of these are recorded on our balance sheet and some are not. Obligations that are recorded on our balance sheet include our long-term debt and capital lease obligations. Our off-balance sheet arrangements include contractual relationships for operating leases, purchase obligations, and guarantees. Our contractual cash obligations and commitments relating to long-term debt, capital leases, and off-balance sheet agreements are included in the following table. These amounts exclude $110.5 million of liabilities related to uncertain tax benefits because we are unable to reasonably estimate the ultimate amount or time of settlement. See Note 14, of Notes to Consolidated Financial Statements for further discussion.

	Operating Leases	Capital Leases	Purchase Obligations	Long-term Debt and Interest Expense	Total
			(in thousands)		
Payments due by period:					
Less than 1 year	$ 8,012	$ 1,671	$128,469	$3,672	$141,824
1-3 years	9,160	3,337	59,676	3,394	75,567
3-5 years	146,045	2,746	26,649	—	175,440
Over 5 years	7,875	9,206	7,715	—	24,796
Total	$171,092	$16,960	$222,509	$7,066	$417,627

Operating Leases

We lease most of our administrative, R&D and manufacturing facilities, regional sales/service offices and certain equipment under non-cancelable operating leases, which expire at various dates through fiscal year 2016. Certain of our facility leases for buildings located at our Fremont, California headquarters and certain other facility leases provide us with an option to extend the leases for additional periods or to purchase the facilities. Certain of our facility leases provide for periodic rent increases based on the general rate of inflation.

Included in the Operating Leases 3-5 years section of the table above is $141.7 million in guaranteed residual values for lease agreements relating to certain properties at our Fremont, California campus and properties in Livermore, California. The remaining operating lease balances primarily relate to non-cancelable facility-related operating leases.

Capital Leases

Capital leases reflect building lease obligations assumed from our acquisition of SEZ and an office equipment lease. The amounts in the table above include the interest portion of payment obligations.

Purchase Obligations

Purchase obligations consist of significant contractual obligations either on an annual basis or over multi-year periods related to our outsourcing activities or other material commitments, including vendor-consigned inventories. We continue to enter into new agreements and maintain existing agreements to outsource certain activities, including elements of our manufacturing, warehousing, logistics, facilities maintenance, certain information technology functions, and certain transactional general and administrative functions. The table presented above contains our purchase obligations at June 27, 2010 under these arrangements and others. Actual expenditures will vary based on the volume of transactions and length of contractual service provided. In addition to these obligations, certain of these agreements include early termination provisions and/or cancellation penalties that could increase or decrease amounts actually paid.

Consignment inventories, which are owned by vendors but located in our storage locations and warehouses, are not reported as our inventory until title is transferred to us or our purchase obligation is determined. At June 27, 2010, vendor-owned inventories held at our locations and not reported as our inventory were $33.7 million.

Long-Term Debt

During fiscal year 2010 we made $21.0 million in principal payments on long-term debt and capital leases. During fiscal year 2009, we paid the outstanding principal balance of $250.0 million of our existing long-term debt with ABN AMRO using existing cash balances. There were no penalties associated with the payment. In connection with the payment, the parties agreed to terminate the ABN AMRO Credit Agreement and related Collateral Documents. ABN AMRO continues to be a participant in our operating leases with BNP Paribas Leasing Corporation and continues to provide banking services to us for customary fees.

Our remaining total long-term debt, excluding interest, of $7.0 million as of June 27, 2010 is the result of obligations we assumed in connection with our acquisition of SEZ, consisting of various bank loans and government subsidized technology loans supporting operating needs.

Guarantees

We have issued certain indemnifications to our lessors for taxes and general liability under some of our lease agreements. We have entered into certain insurance contracts that may limit our exposure to these indemnification obligations. As of June 27, 2010, we have not recorded any liability on our consolidated financial statements in connection with these indemnifications, as we do not believe, based on information available, that it is probable that any amounts will be paid under these guarantees.

Generally, we indemnify our customers for infringement of third-party intellectual property rights by our products or services under pre-determined conditions and limitations. We seek to limit our liability for any indemnity to an amount not to exceed the sales price of the products or services subject to its indemnification obligations. We do not believe, based on information available, that it is probable that any material amounts will be paid under these indemnities.

Warranties

We provide standard warranties on our systems that generally run for a period of 12 months from system acceptance. The liability amount is based on actual historical warranty spending activity by type of system, customer, and geographic region, modified for any known considerations such as the impact of system reliability improvements.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Investments

We maintain an investment portfolio of various holdings, types, and maturities. As of June 27, 2010, the Company's mutual funds are classified as trading securities. Investments classified as trading securities are recorded at fair value based upon quoted market prices. Any material differences between the cost and fair value of trading securities is recognized as "Other income (expense)" in the Consolidated Statement of Operations. All of the Company's other short-term investments are classified as available-for-sale and consequently are recorded in the Consolidated Balance Sheets at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income, net of tax.

Fixed Income Securities

Our investments in various interest earning securities carry a degree of market risk for changes in interest rates. At any time, a sharp rise in interest rates could have a material adverse impact on the fair value of our fixed income investment portfolio. Conversely, declines in interest rates could have a material adverse impact on interest income for our investment portfolio. We target to maintain a conservative investment policy, which focuses on the safety and preservation of our invested funds by limiting default risk, market risk, reinvestment risk, and the amount of credit exposure to any one issuer. The following table presents the hypothetical fair values of fixed income securities that would result from selected potential decreases and increases in interest rates. Market changes reflect immediate hypothetical parallel shifts in the yield curve of plus or minus 50 basis points ("BPS"), 100 BPS, and 150 BPS. The hypothetical fair values as of June 27, 2010 were as follows:

	Valuation of Securities Given an Interest Rate Decrease of X Basis Points			Fair Value as of June 27, 2010	Valuation of Securities Given an Interest Rate Increase of X Basis Points		
	(150 BPS)	(100 BPS)	(50 BPS)	0.00%	50 BPS	100 BPS	150 BPS
				(in thousands)			
Municipal Notes and Bonds	$106,397	$105,565	$104,733	$103,903	$103,070	$102,238	$101,407
US Treasury & Agencies	3,484	3,472	3,459	3,447	3,435	3,423	3,411
Government-Sponsored Enterprises	6,168	6,132	6,096	6,060	6,025	5,989	5,953
Foreign Government	1,010	1,009	1,009	1,008	1,007	1,006	1,005
Bank and Corporate Notes	292,289	291,338	290,388	289,437	288,487	287,536	286,586
Mortgage Backed Securities — Residential	6,198	6,167	6,137	6,106	6,076	6,046	6,016
Mortgage Backed Securities — Commercial	43,844	43,551	43,257	42,964	42,671	42,377	42,084
Total	$459,390	$457,234	$455,079	$452,925	$450,771	$448,615	$446,462

We mitigate default risk by investing in high credit quality securities and by positioning our portfolio to respond appropriately to a significant reduction in a credit rating of any investment issuer or guarantor. The portfolio includes only marketable securities with active secondary or resale markets to achieve portfolio liquidity and maintain a prudent amount of diversification.

Publicly Traded Securities

The values of our investments in publicly traded securities are subject to market price risk. The following table presents the hypothetical fair values of our publicly traded securities that would result from selected potential decreases and increases in the price of each security in the portfolio. Potential fluctuations in the price of each security in the portfolio of plus or minus 10%, 15%, or 25% were selected based on potential near-term changes in those security prices. The hypothetical fair values as of June 27, 2010 were as follows:

	Valuation of Securities Given an X% Decrease in Security Price			Fair Value as of June 27, 2010	Valuation of Securities Given an X% Increase in Security Price		
	(25%)	(15%)	(10%)	0.00%	10%	15%	25%
				(in thousands)			
Mutual Funds	$13,593	$15,406	$16,312	$18,124	$19,937	$20,843	$22,655
Publicly Traded Equity Securities	$ 5,739	$ 6,504	$ 6,886	$ 7,636	$ 8,417	$ 8,799	$ 9,565

Foreign Currency Derivatives

We conduct business on a global basis in several major international currencies. As such, we are potentially exposed to adverse as well as beneficial movements in foreign currency exchange rates. The majority of our revenues and expenses are denominated in U.S. dollars except for certain revenues denominated in Japanese yen, certain revenues and expenses denominated in the Euro, certain spares and service contracts denominated in various currencies, and expenses related to our non-U.S. sales and support offices denominated in the related countries' local currency. We currently enter into foreign exchange forward contracts to minimize the short-term impact of foreign currency exchange rate fluctuations on Japanese yen-denominated revenue and monetary asset and liability exposure, as well as monetary assets and liabilities denominated in Swiss francs, Euros and Taiwanese dollars. We currently believe these are our primary exposures to currency rate fluctuation.

To protect against the reduction in value of forecasted Japanese yen-denominated revenue, we enter into foreign currency forward exchange rate contracts that generally expire within 12 months, and no later than 24 months. These foreign currency forward exchange rate contracts are designated as cash flow hedges and are carried on our balance sheet at fair value, with the effective portion of the contracts' gains or losses included in accumulated other comprehensive income (loss) and subsequently recognized in earnings in the same period the hedged revenue is recognized. We also enter into foreign currency forward contracts to hedge the gains and losses generated by the remeasurement of Japanese yen-denominated monetary assets and liabilities against the U.S. dollar and monetary assets and liabilities denominated in Swiss francs, Euros and Taiwanese dollars. The change in fair value of these balance sheet hedge contracts is recorded into earnings as a component of other income (expense), net and offsets the change in fair value of the foreign currency denominated monetary assets and liabilities also recorded in other income (expense), net, assuming the hedge contract fully covers the intercompany and trade receivable balances.

The notional amount and unrealized gain of our outstanding forward contracts that are designated as cash flow hedges, as of June 27, 2010 are shown in the table below. This table also shows the change in fair value of these cash flow hedges assuming a hypothetical foreign currency exchange rate movement of plus-or-minus 10 percent and plus-or-minus 15 percent.

		Notional Amount	Unrealized FX Loss/(Gain) June 27, 2010	Valuation of Fx Contracts Given an X% Increase (+)/ Decrease(-) in Each Fx Rate	
				+ /-(10%)	+ /-(15%)
			(in $ Millions)		
Cash Flow Hedge					
Forward Contracts Sold	**JPY/USD**	**$73.3**	**($0.0)**	**$7.3**	**$11.0**

The notional amount and unrealized loss of our outstanding foreign currency forward contracts that are designated as balance sheet hedges, as of June 27, 2010 are shown in the table below. This table also shows the change in fair value of these balance sheet hedges, assuming a hypothetical foreign currency exchange rate movement of plus-or-minus 10 percent and plus-or-minus 15 percent. These changes in fair values would be offset in other income (expense), net, by corresponding change in fair values of the foreign currency denominated monetary assets and liabilities, assuming the hedge contract fully covers the intercompany and trade receivable balances.

		Notional Amount	Unrealized FX Loss/(Gain) June 27, 2010	Valuation of Fx Contracts Given an X% Increase (+)/ Decrease(-) in Each Fx Rate	
				+ /-(10%)	+ /-(15%)
			(in $ Millions)		
Balance Sheet Hedge					
	JPY/USD	**$ 75.3**	**$ 1.3**	**$ 7.5**	**$11.3**
	USD/CHF	**$(188.6)**	**$(0.4)**	**$18.9**	**$28.3**
	USD/TWD	**$ (66.0)**	**$ 0.9**	**$ 6.6**	**$ 9.9**
	USD/EUR	**$ (38.2)**	**$(0.0)**	**$ 3.8**	**$ 5.7**
Forward Contracts Sold		**$(217.5)**	**$ 1.8**	**$36.8**	**$55.2**

Long-Term Debt

Our long-term debt includes $1.8 million of variable rate debt based on LIBOR plus a spread of 0.875 and is subject to adverse as well as beneficial changes in interest expense due to fluctuation in interest rates.

We believe that maintaining sufficient liquidity reserves is important to support sustaining levels of investment in our business activities. Based upon our current business outlook, our levels of cash, cash equivalents, and short-term investments at June 27, 2010 are expected to be sufficient to support our anticipated levels of operations, investments, debt service requirements, and capital expenditures, through at least the next 12 months. In the longer term, liquidity will depend to a great extent on our future revenues and our ability to appropriately manage our costs based on demand for our products. Should additional funding be required, we may need to raise the required funds through borrowings or public or private sales of debt or equity securities. We believe that, in the event of such requirements, we will be able to access the capital markets on terms and in amounts adequate to meet our objectives. However, given the possibility of changes in market conditions or other occurrences, there can be no certainty that such funding will be available in needed quantities or on terms favorable to us.

Item 8. *Financial Statements and Supplementary Data*

The Consolidated Financial Statements required by this Item are set forth on the pages indicated in Item 15(a). The unaudited quarterly results of our operations for our two most recent fiscal years are incorporated in this Item by reference under Item 6, "Selected Financial Data" above.

Item 9. *Changes in and Disagreements With Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of June 27, 2010, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e). Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer each concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

We intend to review and evaluate the design and effectiveness of our disclosure controls and procedures on an ongoing basis and to correct any material deficiencies that we may discover. Our goal is to ensure that our senior management has timely access to material information that could affect our business.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate "internal control over financial reporting", as that term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Management has used the framework set forth in the report entitled "Internal Control — Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the Company's internal control over financial reporting. Based on that evaluation, management has concluded that the Company's internal control over financial reporting was effective as of June 27, 2010 at providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Ernst & Young LLP, an independent registered public accounting firm, has audited the Company's internal control over financial reporting, as stated in their report, which is included in Part IV, Item 15 of this 2010 Form 10-K.

Effectiveness of Controls

While we believe the present design of our disclosure controls and procedures and internal control over financial reporting is effective at the reasonable assurance level, future events affecting our business may cause us to modify our disclosure controls and procedures or internal control over financial reporting. The effectiveness of controls cannot be absolute because the cost to design and implement a control to identify errors or mitigate the risk of errors occurring should not outweigh the potential loss caused by the errors that would likely be detected by the control. Moreover, we believe that a control system cannot be guaranteed to be 100% effective all of the time. Accordingly, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

Item 9B. ***Other Information***

None.

PART III

We have omitted from this 2010 Form 10-K certain information required by Part III because we, as the Registrant, will file a definitive proxy statement with the Securities and Exchange Commission (SEC) within 120 days after the end of our fiscal year, pursuant to Regulation 14A, as promulgated by the SEC, for our Annual Meeting of Stockholders expected to be held on or about November 4, 2010 (the “Proxy Statement”), and certain information included in the Proxy Statement is incorporated into this report by reference. (However, the Reports of the Audit Committee and Compensation Committee in the Proxy Statement are expressly not incorporated by reference into this report.)

Item 10. *Directors, Executive Officers, and Corporate Governance*

For information regarding our executive officers, see Part I, Item 1 of this 2010 Form 10-K under the caption “Executive Officers of the Company,” which information is incorporated into Part III by reference.

The information concerning our directors required by this Item is incorporated by reference to our Proxy Statement under the heading “Proposal No. 1 — Election of Directors.”

The information concerning our audit committee and audit committee financial experts required by this Item is incorporated by reference to our Proxy Statement under the heading “Corporate Governance.”

The information concerning compliance by our officers, directors and 10% shareholders with Section 16 of the Exchange Act required by this Item is incorporated by reference to our Proxy Statement under the heading “Section 16(a) Beneficial Ownership Reporting Compliance.”

The Company has adopted a Corporate Code of Ethics that applies to all employees, officers, and directors of the Company. Our Code of Ethics is publicly available on the investor relations page of our website at http://investor.lamresearch.com. To the extent required by law, any amendments to, or waivers from, any provision of the Code of Ethics will promptly be disclosed to the public. To the extent permitted by applicable legal requirements, we intend to make any required public disclosure by posting the relevant material on our website in accordance with SEC rules.

Item 11. *Executive Compensation*

The information required by this Item is incorporated by reference to our Proxy Statement under the heading “Executive Compensation and Other Information.”

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

The information required by this Item is incorporated by reference to our Proxy Statement under the headings “Proposal No. 1 — Election of Directors,” “Compensation Committee Interlocks and Insider Participation,” “Compensation Committee Report,” “Security Ownership of Certain Beneficial Owners and Management” and “Securities Authorized for Issuance Under Equity Compensation Plans.”

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

The information required by this Item is incorporated by reference to our Proxy Statement under the heading “Certain Relationships and Related Transactions.”

Item 14. *Principal Accounting Fees and Services*

The information required by this Item is incorporated by reference to our Proxy Statement under the heading “Relationship with Independent Registered Public Accounting Firm.”

PART IV

Item 15. ***Exhibits, Financial Statement Schedules***

(a) The following documents are filed as part of this Annual Report on Form 10-K

1. Index to Financial Statements

2. Index to Financial Statement Schedules

Schedules, other than those listed above, have been omitted since they are not applicable/not required, or the information is included elsewhere herein.

3. See (c) of this Item 15, which is incorporated herein by reference.

(c) The list of Exhibits follows page 88 of this 2010 Form 10-K and is incorporated herein by this reference.

LAM RESEARCH CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	June 27, 2010	June 28, 2009
ASSETS		
Cash and cash equivalents	$ 545,767	$ 374,167
Short-term investments	280,690	205,221
Accounts receivable, less allowance for doubtful accounts of $10,609 as of June 27, 2010 and $10,719 as of June 28, 2009	499,890	253,585
Inventories	318,479	233,410
Deferred income taxes	46,158	69,043
Prepaid expenses and other current assets	65,677	101,714
Total current assets	1,756,661	1,237,140
Property and equipment, net	200,336	215,666
Restricted cash and investments	165,234	178,439
Deferred income taxes	26,218	17,007
Goodwill	169,182	169,182
Intangible assets, net	67,724	91,605
Other assets	102,037	84,145
Total assets	$ 2,487,392	$ 1,993,184
LIABILITIES AND STOCKHOLDERS' EQUITY		
Trade accounts payable	$ 121,099	$ 49,606
Accrued expenses and other current liabilities	309,397	281,335
Deferred profit	123,194	45,787
Current portion of long-term debt and capital leases	4,967	5,348
Total current liabilities	558,657	382,076
Long-term debt and capital leases	17,645	40,886
Income taxes payable	110,462	102,999
Other long-term liabilities	32,493	14,134
Total liabilities	719,257	540,095
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, at par value of $0.001 per share; authorized — 5,000 shares, none outstanding	—	—
Common stock, at par value of $0.001 per share; authorized — 400,000 shares; issued and outstanding — 125,946 shares at June 27, 2010 and 126,532 shares at June 28, 2009	126	127
Additional paid-in capital	1,452,939	1,377,231
Treasury stock, at cost, 36,884 shares at June 27, 2010 and 34,679 shares at June 28, 2009	(1,581,417)	(1,495,693)
Accumulated other comprehensive loss	(69,849)	(52,822)
Retained earnings	1,966,336	1,624,246
Total stockholders' equity	1,768,135	1,453,089
Total liabilities and stockholders' equity	$ 2,487,392	$ 1,993,184

See Notes to Consolidated Financial Statements

LAM RESEARCH CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	YEAR ENDED		
	June 27, 2010	June 28, 2009	June 29, 2008
Revenue	$2,133,776	$1,115,946	$2,474,911
Cost of goods sold	1,166,219	706,219	1,282,494
Cost of goods sold — restructuring and asset impairments	3,438	20,993	12,610
Cost of goods sold — 409A expense	(5,816)	—	6,401
Total costs of goods sold	1,163,841	727,212	1,301,505
Gross margin	969,935	388,734	1,173,406
Research and development	320,859	288,269	323,759
Selling, general and administrative	240,942	233,061	287,282
Goodwill impairment	—	96,255	—
Restructuring and asset impairments	21,314	44,513	6,366
409A expense	(38,590)	3,232	44,494
Legal judgment	—	4,647	—
In-process research and development	—	—	2,074
Total operating expenses	544,525	669,977	663,975
Operating income (loss)	425,410	(281,243)	509,431
Other income (expense), net:			
Interest income	8,598	24,283	51,194
Interest expense	(994)	(6,497)	(12,674)
Foreign exchange gains (losses)	(103)	922	31,070
Other, net	(2,770)	(558)	(2,045)
Income (loss) before income taxes	430,141	(263,093)	576,976
Income tax expense	83,472	39,055	137,627
Net income (loss)	$ 346,669	$ (302,148)	$ 439,349
Net income (loss) per share:			
Basic net income (loss) per share	$ 2.73	$ (2.41)	$ 3.52
Diluted net income (loss) per share	$ 2.71	$ (2.41)	$ 3.47
Number of shares used in per share calculations:			
Basic	126,933	125,595	124,647
Diluted	128,126	125,595	126,504

See Notes to Consolidated Financial Statements

LAM RESEARCH CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	YEAR ENDED		
	June 27, 2010	June 28, 2009	June 29, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 346,669	$(302,148)	$ 439,349
Adjustments to reconcile net income (loss) to net cash provided by (used for) by operating activities:			
Depreciation and amortization	71,401	72,417	54,704
Deferred income taxes	13,718	30,545	(26,661)
Restructuring charges, net	24,752	65,506	18,976
Equity-based compensation expense	50,463	53,042	42,516
Income tax benefit on equity-based compensation plans	10,635	(14,294)	83,472
Excess tax benefit on equity-based compensation plans	(10,234)	6,273	(58,904)
Net gain on settlement of call option	—	—	(33,839)
Goodwill impairment	—	96,255	—
Other, net	3,190	9,353	(3,319)
Changes in operating asset accounts:			
Accounts receivable, net of allowance	(246,653)	152,086	99,887
Inventories	(79,701)	46,052	19,684
Prepaid expenses and other assets	(23,647)	5,888	(21,972)
Trade accounts payable	71,600	(39,381)	(40,125)
Deferred profit	77,407	(82,464)	(64,007)
Accrued expenses and other liabilities	41,113	(177,259)	80,558
Net cash provided by (used for) operating activities	350,713	(78,129)	590,319
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures and intangible assets	(35,590)	(44,282)	(76,803)
Acquisitions of businesses, net of cash acquired	—	(19,457)	(482,574)
Purchases of available-for-sale securities	(192,755)	(209,298)	(310,873)
Sales and maturities of available-for-sale securities	114,768	383,062	329,695
Purchase of call option	—	—	(13,506)
Proceeds from settlement of call option	—	—	47,345
Purchase of other investments	(2,184)	(3,439)	(4,560)
Loans made	(800)	(8,375)	—
Transfer of restricted cash and investments	13,205	(92,206)	15,471
Net cash provided by (used for) investing activities	(103,356)	6,005	(495,805)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on long-term debt and capital lease obligations	(21,040)	(256,047)	(251,714)
Net proceeds from issuance of long-term debt	336	625	251,915
Excess tax benefit on equity-based compensation plans	10,234	(6,273)	58,904
Treasury stock purchases	(93,032)	(30,946)	(14,552)
Reissuances of treasury stock	17,452	19,797	8,563
Proceeds from issuance of common stock	13,386	12,014	12,694
Net cash provided by (used for) financing activities	(72,664)	(260,830)	65,810
Effect of exchange rate changes on cash	(3,093)	(25,416)	(1,754)
Net increase (decrease) in cash and cash equivalents	171,600	(358,370)	158,570
Cash and cash equivalents at beginning of year	374,167	732,537	573,967
Cash and cash equivalents at end of year	$ 545,767	$ 374,167	$ 732,537
Schedule of noncash transactions			
Acquisition of leased equipment	$ —	$ 454	$ 21,784
Accrued payables for stock repurchases	$ 13,500	$ —	$ —
Supplemental disclosures:			
Cash payments for interest	$ 878	$ 7,808	$ 10,900
Cash payments for income taxes	$ 16,261	$ 33,583	$ 74,243

See Notes to Consolidated Financial Statements

LAM RESEARCH CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	COMMON STOCK SHARES	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	TOTAL
Balance at June 24, 2007	123,535	$124	$1,194,215	$(1,483,169)	$ (4,302)	$1,469,452	$1,176,320
Sale of common stock	1,703	1	12,695	—	—	—	12,696
Purchase of treasury stock	(287)	—	—	(14,552)	—	—	(14,552)
Tender offer	—	—	(2,282)	—	—	—	(2,282)
Income tax benefit on equity-based compensation plans	—	—	74,865	—	—	—	74,865
Reissuance of treasury stock	236	—	1,543	7,020	—	—	8,563
Equity-based compensation expense	—	—	42,516	—	—	—	42,516
Adoption of interpretive guidance on uncertainties in income taxes	—	—	8,607	—	—	17,593	26,200
Components of comprehensive income:							
Net income	—	—	—	—	—	439,349	439,349
Foreign currency translation adjustment	—	—	—	—	12,557	—	12,557
Unrealized gain on fair value of derivative financial instruments, net	—	—	—	—	398	—	398
Unrealized gain on financial instruments, net	—	—	—	—	2,787	—	2,787
Less: Reclassification adjustment for gains included in earnings	—	—	—	—	(461)	—	(461)
Change in retiree medical benefit	—	—	—	—	(359)	—	(359)
Total comprehensive income	—	—	—	—	—	—	454,271
Balance at June 29, 2008	125,187	$125	$1,332,159	$(1,490,701)	$ 10,620	$1,926,394	$1,778,597
Sale of common stock	1,806	2	12,012	—	—	—	12,014
Purchase of treasury stock	(1,367)	(1)	—	(30,945)	—	—	(30,946)
Income tax benefit on equity-based compensation plans	—	—	(14,294)	—	—	—	(14,294)
Reissuance of treasury stock	906	1	(6,157)	25,953	—	—	19,797
Equity-based compensation expense	—	—	53,511	—	—	—	53,511
Components of comprehensive loss:							
Net loss	—	—	—	—	—	(302,148)	(302,148)
Foreign currency translation adjustment	—	—	—	—	(58,587)	—	(58,587)
Unrealized loss on fair value of derivative financial instruments, net	—	—	—	—	(6,633)	—	(6,633)
Unrealized gain on financial instruments, net	—	—	—	—	1,192	—	1,192
Less: Reclassification adjustment for losses included in earnings	—	—	—	—	501	—	501
Change in retiree medical benefit	—	—	—	—	85	—	85
Total comprehensive loss	—	—	—	—	—	—	(365,590)
Balance at June 28, 2009	126,532	$127	$1,377,231	$(1,495,693)	$(52,822)	$1,624,246	$1,453,089

LAM RESEARCH CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY – (continued)
(in thousands)

	COMMON STOCK SHARES	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	TOTAL
Sale of common stock	1,619	1	13,386	—	—	—	13,386
Purchase of treasury stock	(2,982)	(3)	—	(106,531)	—	—	(106,532)
Income tax benefit on equity-based compensation plans	—	—	10,635	—	—	—	10,635
Reissuance of treasury stock	777	1	1,224	20,807	—	(4,579)	17,452
Equity-based compensation expense	—	—	50,463	—	—	—	50,463
Components of comprehensive income:							
Net income	—	—	—	—	—	346,669	346,669
Foreign currency translation adjustment	—	—	—	—	(13,868)	—	(13,868)
Unrealized loss on fair value of derivative financial instruments, net	—	—	—	—	(414)	—	(414)
Unrealized gain on financial instruments, net	—	—	—	—	2,062	—	2,062
Less: Reclassification adjustment for gains included in earnings	—	—	—	—	(645)	—	(645)
Change in retiree medical benefit	—	—	—	—	(4,162)	—	(4,162)
Total comprehensive income	—	—	—	—	—	—	329,642
Balance at June 27, 2010	125,946	$126	$1,452,939	$(1,581,417)	$(69,849)	$1,966,336	$1,768,135

See Notes to Consolidated Financial Statements

Note 1: Company and Industry Information

The Company designs, manufactures, markets, refurbishes and services semiconductor processing equipment used in the fabrication of integrated circuits. Semiconductor wafers are subjected to a complex series of process and preparation steps that result in the simultaneous creation of many individual integrated circuits. The Company leverages its expertise in the areas of etch and single-wafer clean to develop processing solutions that typically benefit its customers through lower defect rates, enhanced yields, faster processing time, or reduced cost. The Company sells its products and services primarily to companies involved in the production of semiconductors in North America, Europe, Taiwan, Korea, Japan, and Asia Pacific.

The semiconductor industry is cyclical in nature and has historically experienced periodic downturns and upturns. Today's leading indicators of changes in customer investment patterns may not be any more reliable than in prior years. Demand for the Company's equipment can vary significantly from period to period as a result of various factors, including, but not limited to, economic conditions, supply, demand, and prices for semiconductors, customer capacity requirements, and the Company's ability to develop and market competitive products. For these and other reasons, the Company's results of operations for fiscal years 2010, 2009, and 2008 may not necessarily be indicative of future operating results.

Note 2: Summary of Significant Accounting Policies

The preparation of financial statements, in conformity with U.S. Generally Accepted Accounting Principles ("GAAP"), requires management to make judgments, estimates, and assumptions that could affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The Company based its estimates and assumptions on historical experience and on various other assumptions we believed to be applicable, and evaluated them on an on-going basis to ensure they remain reasonable under current conditions. Actual results could differ significantly from those estimates.

Revenue Recognition: The Company recognizes all revenue when persuasive evidence of an arrangement exists, delivery has occurred and title has passed or services have been rendered, the selling price is fixed or determinable, collection of the receivable is reasonably assured, and the Company has completed its system installation obligations, received customer acceptance or is otherwise released from its installation or customer acceptance obligations. If terms of the sale provide for a lapsing customer acceptance period, the Company recognizes revenue upon the expiration of the lapsing acceptance period or customer acceptance, whichever occurs first. If the practices of a customer do not provide for a written acceptance or the terms of sale do not include a lapsing acceptance provision, the Company recognizes revenue when it can be reliably demonstrated that the delivered system meets all of the agreed-to customer specifications. In situations with multiple deliverables, revenue is recognized upon the delivery of the separate elements to the customer and when the Company receives customer acceptance or is otherwise released from its customer acceptance obligations. Revenue from multiple-element arrangements is allocated among the separate elements based on their relative fair values, provided the elements have value on a stand-alone basis, there is objective and reliable evidence of fair value, the arrangement does not include a general right of return relative to the delivered item and delivery or performance of the undelivered item(s) is considered probable and substantially in our control. The maximum revenue recognized on a delivered element is limited to the amount that is not contingent upon the delivery of additional items. Revenue related to sales of spare parts and system upgrade kits is generally recognized upon shipment. Revenue related to services is generally recognized upon completion of the services requested by a customer order. Revenue for extended maintenance service contracts with a fixed payment amount is recognized on a straight-line basis over the term of the contract.

Inventory Valuation: Inventories are stated at the lower of cost or market using standard costs which generally approximate actual costs on a first-in, first-out basis. The Company maintains a perpetual inventory system and continuously records the quantity on-hand and standard cost for each product, including purchased components, subassemblies, and finished goods. The Company maintains the integrity of perpetual inventory records through periodic physical counts of quantities on hand. Finished goods are reported as inventories until the point of title transfer to the customer. Generally, title transfer is documented in the terms of sale. When the terms of sale do not specify title transfer, the Company assumes title transfers when it completes physical transfer of the products to the freight carrier unless other customer practices prevail. Transfer of title for shipments to Japanese customers generally occurs at time of customer acceptance.

Standard costs are reassessed as needed but annually at a minimum, and reflect achievable acquisition costs. Acquisition costs are generally based on the most recent vendor contract prices for purchased parts, normalized assembly and test labor utilization levels, methods of manufacturing, and normalized overhead. Manufacturing labor and overhead costs are attributed to individual product standard costs at a level planned to absorb spending at average utilization volumes. All intercompany profits related to the sales and purchases of inventory between the Company's legal entities are eliminated from its consolidated financial statements.

Management evaluates the need to record adjustments for impairment of inventory at least quarterly. The Company's policy is to assess the valuation of all inventories including manufacturing raw materials, work-in-process, finished goods, and spare parts in each reporting period. Obsolete inventory or inventory in excess of management's estimated usage requirements over the next 12 to 36 months is written down to its estimated market value if less than cost. Estimates of market value include, but are not limited to, management's forecasts related to the Company's future manufacturing schedules, customer demand, technological and/or market obsolescence, general semiconductor market conditions, possible alternative uses, and ultimate realization of excess inventory. If future customer demand or market conditions are less favorable than the Company's projections, additional inventory write-downs may be required and would be reflected in cost of sales in the period the revision is made.

Warranty: Typically, the sale of semiconductor capital equipment includes providing parts and service warranty to customers as part of the overall price of the system. The Company provides standard warranties for our systems that generally run for a period of 12 months from system acceptance. When appropriate, the Company records a provision for estimated warranty expenses to cost of sales for each system upon revenue recognition. The Company does not maintain general or unspecified reserves; all warranty reserves are related to specific systems. The amount recorded is based on an analysis of historical activity which uses factors such as type of system, customer, geographic region, and any known factors such as tool reliability trends. All actual or estimated parts and labor costs incurred in subsequent periods are charged to those established reserves on a system-by-system basis.

Actual warranty expenses are accounted for on a system-by-system basis and may differ from the Company's original estimates. While the Company periodically monitors the performance and cost of warranty activities, if actual costs incurred are different than its estimates, the Company may recognize adjustments to provisions in the period in which those differences arise or are identified. In addition to the provision of standard warranties, the Company offers customer-paid extended warranty services. Revenues for extended maintenance and warranty services with a fixed payment amount are recognized on a straight-line basis over the term of the contract. Related costs are recorded either as incurred or when related liabilities are determined to be probable and estimable.

Equity-based Compensation — Employee Stock Purchase Plan ("ESPP") and Employee Stock Plans: GAAP requires the recognition of the fair value of equity-based compensation in net income. The fair value of the Company's restricted stock units was calculated based upon the fair market value of Company stock at the date of grant. The fair value of the Company's stock options and ESPP awards was estimated using a Black-Scholes option valuation model. This model requires the input of highly subjective assumptions, including expected stock price volatility and the estimated life of each award. The fair value of equity-based awards is amortized over the vesting period of the award and the Company has elected to use the straight-line method of amortization.

The Company makes quarterly assessments of the adequacy of its tax credit pool related to equity-based compensation to determine if there are any deficiencies that require recognition in its consolidated statements of operations. The Company will only recognize a benefit from stock-based compensation in paid-in-capital if an incremental tax benefit is realized after all other tax attributes currently available to us have been utilized. In addition, the Company has elected to account for the indirect benefits of stock-based compensation on the research tax credit through the income statement (continuing operations) rather than through paid-in-capital. The Company has also elected to net deferred tax assets and the associated valuation allowance related to net operating loss and tax credit carryforwards for the accumulated stock award tax benefits for income tax footnote disclosure purposes. The Company will track these stock award attributes separately and will only recognize these attributes through paid-in-capital.

Income Taxes: Deferred income taxes reflect the net effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as the tax effect of carryforwards. The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more-likely-than-not to be realized. Realization of the Company's net deferred tax assets is dependent on future taxable income. The Company believes it is more-likely-than-not that such assets will be realized; however, ultimate realization could be negatively impacted by market conditions and other variables not known or anticipated at the time. In the event that the Company determines that it would not be able to realize all or part of its net deferred tax assets, an adjustment would be charged to earnings in the period such determination is made. Likewise, if the Company later determined that it is more-likely-than-not that the deferred tax assets would be realized, then the previously provided valuation allowance would be reversed.

The Company calculates its current and deferred tax provision based on estimates and assumptions that can differ from the actual results reflected in income tax returns filed during the subsequent year. Adjustments based on filed returns are recorded when identified.

In July 2006, the FASB issued guidance which defines the threshold for recognizing the benefits of tax return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority. The Company adopted this guidance on June 25, 2007. It provides guidance on the de-recognition, measurement and classification of income tax uncertainties, along with any related interest and penalties. This guidance also includes information concerning accounting for income tax uncertainties in interim periods and increases the level of disclosures associated with any recorded income tax uncertainties. We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits, benefits, and deductions, and in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes, as well as the interest and penalties relating to these uncertain tax positions. Significant changes to these estimates may result in an increase or decrease to our tax provision in a subsequent period.

In addition, the calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations. The Company recognizes liabilities for uncertain tax positions based on the two-step process prescribed within the interpretation. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more-likely-than-not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires the Company to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as this requires us to determine the probability of various possible outcomes. The Company reevaluates these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision in the period such determination is made.

Goodwill and Intangible Assets: Goodwill represents the amount by which purchase price in each business combination exceeds the fair value of the net tangible and identifiable intangible assets acquired. The carrying value of goodwill is allocated to our reporting units. Goodwill and identifiable intangible assets with indefinite useful lives are tested for impairment at least annually. Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable and the carrying amount exceeds its fair value.

The Company reviews goodwill at least annually for impairment. Should certain events or indicators of impairment occur between annual impairment tests, the Company would perform an impairment test of goodwill at that date. In testing for a potential impairment of goodwill, the Company: (1) allocates goodwill to our reporting units to which the acquired goodwill relates; (2) estimates the fair value of its reporting units; and (3) determines the carrying value (book value) of those reporting units, as some of the assets and liabilities related to those reporting units are not held by those reporting units but by a corporate function. Prior to this allocation of the assets to the reporting units, the Company is required to assess long-lived assets for impairment. Furthermore, if the estimated fair value of a reporting unit is less than the carrying value, the Company must estimate the fair value of all identifiable assets and liabilities of that reporting unit, in a manner similar to a purchase price allocation for an acquired business. This can require independent valuations of certain internally generated and unrecognized intangible assets such as in-process research and development and developed technology. Only after this process is completed can the amount of goodwill impairment, if any, be determined.

The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis. The Company determines the fair value of its reporting units by using a weighted combination of both a market and an income approach, as this combination is deemed to be the most indicative of our fair value in an orderly transaction between market participants.

Under the market approach, the Company utilizes information regarding the reporting unit as well as publicly available industry information to determine various financial multiples to value our reporting units. Under the income approach, the Company determines fair value based on estimated future cash flows of each reporting unit, discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn.

In estimating the fair value of a reporting unit for the purposes of the Company’s annual or periodic analyses, the Company makes estimates and judgments about the future cash flows of its reporting units, including estimated growth rates and assumptions about the economic environment. Although the Company’s cash flow forecasts are based on assumptions that are consistent with the plans and estimates it is using to manage the underlying businesses, there is significant judgment involved in determining the cash flows attributable to a reporting unit. In addition, the Company makes certain judgments about allocating shared assets to the estimated balance sheets of our reporting units. The Company also considers its market capitalization and that of its competitors on the date it performs the analysis. Changes in judgment on these assumptions and estimates could result in a goodwill impairment charge.

As a result, several factors could result in impairment of a material amount of the Company’s goodwill balance in future periods, including, but not limited to: (1) weakening of the global economy, weakness in the semiconductor equipment industry, or failure of the Company to reach its internal forecasts, which could impact the Company’s ability to achieve its forecasted levels of cash flows and reduce the estimated discounted cash flow value of its reporting units; and (2) a decline in the Company’s stock price and resulting market capitalization, if the Company determines that the decline is sustained and indicates a reduction in the fair value of the Company’s reporting units below their carrying value. Further, the value assigned to intangible assets, other than goodwill, is based on estimates and judgments regarding expectations such as the success and life cycle of products and technology acquired. If actual product acceptance differs significantly from the estimates, the Company may be required to record an impairment charge to write down the asset to its realizable value.

Fiscal Year: The Company follows a 52/53-week fiscal reporting calendar and its fiscal year ends on the last Sunday of June each year. The Company's most recent fiscal year ended on June 27, 2010 and included 52 weeks. The fiscal year ended June 28, 2009 included 52 weeks and the fiscal year ended June 29, 2008 included 53 weeks. The Company's next fiscal year, ending on June 26, 2011 will include 52 weeks.

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Cash Equivalents and Short-Term Investments: All investments purchased with an original final maturity of three months or less are considered to be cash equivalents. The Company's mutual funds are classified as trading securities as of the respective balance sheet dates. All of the Company's other short-term investments are classified as available-for-sale at the respective balance sheet dates. The Company accounts for its investment portfolio at fair value. Investments classified as trading securities are recorded at fair value based upon quoted market prices. Any material differences between the cost and fair value of trading securities is recognized as "Other income (expense)" in the Consolidated Statement of Operations. The investments classified as available-for-sale are recorded at fair value based upon quoted market prices, and any material temporary difference between the cost and fair value of available-for-sale securities is presented as a separate component of accumulated other comprehensive income (loss). Unrealized losses on available-for-sale securities are charged against "Other income (expense)" when a decline in fair value is determined to be other-than-temporary. The Company considers several factors to determine whether a loss is other-than-temporary. These factors include but are not limited to: (i) the extent to which the fair value is less than cost basis, (ii) the financial condition and near term prospects of the issuer, (iii) the length of time a security is in an unrealized loss position and (iv) the Company's ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. The Company's ongoing consideration of these factors could result in additional impairment charges in the future, which could adversely affect its results of operation. An other-than-temporary impairment is triggered when there is an intent to sell the security, it is more-likely-than-not that the security will be required to be sold before recovery, or the security is not expected to recover the entire amortized cost basis of the security. Other-than-temporary impairments attributed to credit losses are recognized in the income statement. The specific identification method is used to determine the realized gains and losses on investments.

Allowance for Doubtful Accounts: We evaluate our allowance for doubtful accounts based on a combination of factors. In circumstances where specific invoices are deemed to be uncollectible, we provide a specific allowance for bad debt against the amount due to reduce the net recognized receivable to the amount we reasonably believe will be collected. We also provide allowances based on our write-off history. We charge accounts receivable balances against our allowance for doubtful accounts once we have concluded our collection efforts are unsuccessful. Accounts receivable is considered past due when not paid in accordance with the contractual terms of the related arrangement.

Property and Equipment: Property and equipment is stated at cost. Equipment is depreciated by the straight-line method over the estimated useful lives of the assets, generally three to eight years. Furniture and fixtures are depreciated by the straight-line method over the estimated useful lives of the assets, generally five years. Software is depreciated by the straight-line method over the estimated useful lives of the assets, generally three to five years. Buildings are depreciated by the straight-line method over the estimated useful lives of the assets, generally twenty-five to thirty-three years. Leasehold improvements are generally amortized by the straight-line method over the shorter of the life of the related asset or the term of the underlying lease. Amortization of capital leases is included with depreciation expense.

Impairment of Long-Lived Assets (Excluding Goodwill): The Company routinely considers whether indicators of impairment of long-lived assets are present. If such indicators are present, the Company determines whether the sum of the estimated undiscounted cash flows attributable to the assets in question is less than their carrying value. If the sum is less, the Company recognizes an impairment loss based on the excess of the carrying amount of the assets over their respective fair values. Fair value is determined by discounted future cash flows, appraisals or other methods. If the assets determined to be impaired are to be held and used, the Company recognizes an impairment charge to the extent the present value of anticipated net cash flows attributable to the asset are less than the asset's carrying value. The fair value of the asset then becomes the asset's new carrying value, which the Company depreciates over the remaining estimated useful life of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

Derivative Financial Instruments: The Company's policy is to attempt to minimize short-term business exposure to foreign currency exchange rate risks using an effective and efficient method to eliminate or reduce such exposures. In the normal course of business, the Company's financial position is routinely subjected to market risk associated with foreign currency exchange rate fluctuations. The Company carries derivative financial instruments (derivatives) on the balance sheet at their fair values. The Company has a policy that allows the use of derivative financial instruments, specifically foreign currency forward exchange rate contracts, to hedge foreign currency exchange rate fluctuations on forecasted revenue transactions denominated in Japanese yen and net monetary assets or liabilities denominated in various foreign currencies. The Company does not use derivatives for trading or speculative purposes. The Company does not believe that it is or was exposed to more than a nominal amount of credit risk in its interest rate and foreign currency hedges, as counterparties are established and well-capitalized financial institutions. The Company's exposures are in liquid currencies (Japanese yen, Swiss francs, Euros, and Taiwanese dollars), so there is minimal risk that appropriate derivatives to maintain the Company's hedging program would not be available in the future.

To hedge foreign currency risks, the Company uses foreign currency exchange forward contracts, where possible and practical. These forward contracts are valued using standard valuation formulas with assumptions about future foreign currency exchange rates derived from existing exchange rates and interest rates observed in the market.

The Company considers its most current outlook in determining the level of foreign currency denominated intercompany revenue to hedge as cash flow hedges. The Company combines these forecasts with historical trends to establish the portion of its expected volume to be hedged. The revenue is hedged and designated as cash flow hedges to protect the Company from exposures to fluctuations in foreign currency exchange rates. If the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, the related hedge gains and losses on the cash flow hedge are reclassified from accumulated other comprehensive income (loss) to interest and other income (expense) on the consolidated statement of operations at that time.

For further details related to the Company's derivatives, see Note 4 of the Notes to the Consolidated Financial Statements.

Guarantees: The Company accounts for guarantees in accordance with applicable accounting guidance. Accordingly, the Company evaluates its guarantees to determine whether (a) the guarantee is specifically excluded from the scope of such guidance, (b) the guarantee is subject to disclosure requirements only, but not subject to the initial recognition and measurement provisions, or (c) the guarantee is required to be recorded in the financial statements at fair value. The Company has recorded a liability for certain guaranteed residual values related to specific facility lease agreements. The Company has evaluated its remaining guarantees and has concluded that they do not require disclosure or do not require recognition in the financial statements. These guarantees generally include certain indemnifications to its lessors under operating lease agreements for environmental matters, potential overdraft protection obligations to financial institutions related to one of the Company's subsidiaries, indemnifications to the Company's customers for certain infringement of third-party intellectual property rights by its products and services, and the Company's warranty obligations under sales of its products.

Foreign Currency Translation: The Company's non-U.S. subsidiaries that operate in a local currency environment, where that local currency is the functional currency, primarily generate and expend cash in their local currency. Billings and receipts for their labor and services are primarily denominated in the local currency, and the workforce is paid in local currency. Their individual assets and liabilities are primarily denominated in the local foreign currency and do not materially impact the Company's cash flows. Accordingly, all balance sheet accounts of these local functional currency subsidiaries are translated at the fiscal period-end exchange rate, and income and expense accounts are translated using average rates in effect for the period, except for costs related to those balance sheet items that are translated using historical exchange rates. The resulting translation adjustments are recorded as cumulative translation adjustments and are a component of accumulated other comprehensive income (loss). Translation adjustments are recorded in other income (expense), net, where the U.S. dollar is the functional currency.

Reclassifications: Certain amounts presented in the comparative financial statements for prior years have been reclassified to conform to the fiscal year 2010 presentation.

Note 3: Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ("FASB") revised the applicable accounting guidance for business combinations. The guidance establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. The revised guidance also establishes disclosure requirements to enable readers to evaluate the nature and financial effects of the business combination. The accounting treatment of tax benefits from acquired companies has changed under the revised guidance. Any changes to the tax benefits associated with valuation allowances related to business combinations will be recorded through income tax expense. The Company adopted the revised guidance on June 29, 2009, and the adoption did not have a significant impact on its results of operations or financial condition.

In December 2007, the FASB issued guidance that establishes accounting and reporting standards for the treatment of noncontrolling interests in a subsidiary. Noncontrolling interests in a subsidiary are reported as a component of equity in the consolidated financial statements and any retained noncontrolling equity investment when a subsidiary is deconsolidated is initially measured at fair value. The Company adopted the guidance on June 29, 2009, and the adoption did not have a significant impact on its results of operations or financial condition.

In April 2009, the FASB issued guidance that requires publicly-traded companies to disclose the fair value of financial instruments in interim financial statements. The Company adopted this guidance on June 29, 2009, and the adoption resulted in expanded disclosures, and the adoption did not have a significant impact on the Company's consolidated results of operations or financial condition.

In June 2009, the FASB issued the FASB Accounting Standards Codification ("Codification"). The Codification is the single source for all authoritative GAAP recognized by the FASB to be applied for financial statements issued for periods ending after September 15, 2009. The Codification does not change GAAP and did not have a significant impact on the Company's financial statements.

In September 2009, the FASB ratified guidance from the Emerging Issues Task Force ("EITF") regarding revenue arrangements with multiple deliverables. This guidance addresses criteria for separating the consideration in multiple-element arrangements and requires companies to allocate the overall consideration to each deliverable by using a best estimate of the selling price of individual deliverables in the arrangement in the absence of vendor-specific objective evidence or other third-party evidence of the selling price. This guidance will be effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company will adopt this guidance in the beginning of fiscal year 2011 and does not believe the adoption will have a significant impact on its results of operations or financial condition.

In September 2009, the FASB also ratified guidance from the EITF regarding certain revenue arrangements that include software elements. This guidance modifies the scope of the software revenue recognition rules to exclude (a) non-software components of tangible products and (b) software components of tangible products that are sold, licensed, or leased with tangible products when the software components and non-software components of the tangible product function together to deliver the tangible product's essential functionality. This guidance will be effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company will adopt this guidance in the beginning of fiscal year 2011 and does not believe the adoption will have a significant impact on its results of operations or financial condition.

Note 4: Financial Instruments

Fair Value

Pursuant to the accounting guidance for fair value measurement and its subsequent updates, the Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

The FASB has established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. An asset or liability's level in the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities with sufficient volume and frequency of transactions.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or model-derived valuations techniques for which all significant inputs are observable in the market or can be corroborated by, observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities and based on non-binding, broker-provided price quotes and may not have been corroborated by observable market data.

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis as of June 27, 2010:

	Total	Fair Value Measurement at June 27, 2010		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
Assets				
Fixed Income				
Money Market Funds	$470,936	$470,936	$ —	$ —
Municipal Notes and Bonds	103,903	—	103,903	—
US Treasury & Agencies	3,447	—	3,447	—
Government-Sponsored Enterprises	6,060	6,060	—	—
Foreign Governments	1,008	—	1,008	—
Bank and Corporate Notes	289,437	169,723	119,636	78
Mortgage Backed Securities — Residential	6,106	—	6,106	—
Mortgage Backed Securities — Commercial	42,964	—	42,964	—
Total Fixed Income	**$923,861**	**$646,719**	**$277,064**	**$ 78**
Equities	7,636	7,636	—	—
Mutual Funds	18,124	18,124	—	—
Derivatives Assets	2,063	—	2,063	—
Total	**$951,684**	**$672,479**	**$279,127**	**$ 78**
Liabilities				
Derivative liabilities	**$ 470**	**$ —**	**$ 470**	**$ —**

The amounts in the table above are reported in the consolidated balance sheet as of June 27, 2010 as follows:

Reported As:	Total	(Level 1)	(Level 2)	(Level 3)
		(In thousands)		
Cash Equivalents	$478,286	$477,279	$ 1,007	$—
Short-Term Investments	280,690	4,555	276,057	78
Restricted cash and investments	164,885	164,885	—	—
Prepaid expenses and other current assets	2,063	—	2,063	—
Other assets	25,760	25,760	—	—
	$951,684	**$672,479**	**$279,127**	**$78**
Accrued expenses and other current liabilities	$ 470	$ —	$ 470	$—

At June 27, 2010 the fair value of Level 3 assets measured on a recurring basis was $0.1 million and consisted of a corporate note security. Fair values were based on non-binding, broker-provided price quotes and may not have been corroborated by observable market data.

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis as of June 28, 2009:

	Total	Fair Value Measurement at June 28, 2009		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
Assets				
Fixed Income				
Money Market Funds	$273,439	$273,439	$ —	$ —
Municipal Notes and Bonds	103,618	—	103,618	—
US Treasury & Agencies	24,184	24,184	—	—
Government-Sponsored Enterprises	6,323	—	6,323	—
Foreign Governments	1,024	—	1,024	—
Bank and Corporate Notes	228,171	183,171	45,000	—
Mortgage Backed Securities — Residential	11,630	—	11,630	—
Mortgage Backed Securities — Commercial	13,442	—	13,442	—
Total Fixed Income	**$661,831**	**$480,794**	**$181,037**	**$ —**
Equities	4,961	4,961	—	—
Mutual Funds	—	—	—	—
Derivatives Assets	74	—	74	—
Total	**$666,866**	**$485,755**	**$181,111**	**$ —**
Liabilities				
Derivative liabilities	**$ 69**	**$ —**	**$ 69**	**$ —**

The amounts in the table above are reported in the consolidated balance sheet as of June 28, 2009 as follows:

Reported As:	Total	Level 1	Level 2	Level 3
		(In thousands)		
Cash Equivalents	$278,304	$278,304	$ —	$—
Short-Term Investments	205,221	24,184	181,037	—
Restricted cash and investments	178,306	178,306	—	—
Prepaid expenses and other current assets	74	—	74	—
Other assets	4,961	4,961	—	—
	$666,866	**$485,755**	**$ 181,111**	**$—**
Accrued expenses and other current liabilities	$ 69	$ —	$ 69	$—

The Company's primary financial instruments include its cash, cash equivalents, short-term investments, restricted cash and investments, long-term investments, accounts receivable, accounts payable, long-term debt and capital leases, and foreign currency related derivatives. The estimated fair value of cash, accounts receivable and accounts payable approximates their carrying value due to the short period of time to their maturities. The estimated fair values of long-term debt and capital lease obligations approximate their carrying value as the substantial majority of these obligations have interest rates that adjust to market rates on a periodic basis. The fair value of cash equivalents, short-term investments, restricted cash and investments, long-term investments, and foreign currency related derivatives are based on quotes from brokers using market prices for similar instruments.

Investments

The following tables summarize the Company's investments (in thousands):

	June 27, 2010				June 28, 2009			
	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value
Cash	$ 67,830	$ —	$ —	$ 67,830	$ 95,996	$ —	$ —	$ 95,996
Fixed Income Money Market Funds	470,936	—	—	470,936	273,439	—	—	273,439
Municipal Notes and Bonds	102,130	1,784	(11)	103,903	101,587	2,069	(38)	103,618
US Treasury & Agencies	3,437	10	—	3,447	23,828	387	(31)	24,184
Government-Sponsored Enterprises	5,976	84	—	6,060	6,177	146	—	6,323
Foreign Governments	1,007	1	—	1,008	1,024	—	—	1,024
Bank and Corporate Notes	287,922	1,608	(93)	289,437	227,244	1,025	(98)	228,171
Mortgage Backed Securities — Residential	5,825	323	(42)	6,106	11,328	385	(83)	11,630
Mortgage Backed Securities — Commercial	42,765	275	(76)	42,964	13,465	166	(189)	13,442
Total Cash and Short -Term Investments	**$ 987,828**	**$ 4,085**	**$ (222)**	**$ 991,691**	**$754,088**	**$ 4,178**	**$ (439)**	**$ 757,827**
Publicly traded equity securities	$ 9,471	$ —	$(1,835)	$ 7,636	$ 8,359	$ —	$(3,398)	$ 4,961
Mutual Funds	19,043	—	(919)	18,124	—	—	—	—
Total Financial Instruments	**$1,016,342**	**$ 4,085**	**$(2,976)**	**$1,017,451**	**$762,447**	**$ 4,178**	**$(3,837)**	**$ 762,788**
As Reported								
Cash and Cash Equivalents	$ 545,766	$ 1	$ —	$ 545,767	$374,167	$ —	$ —	$ 374,167
Short-Term Investments	276,828	4,084	(222)	280,690	201,482	4,178	(439)	205,221
Restricted cash and investments	165,234	—	—	165,234	178,439	—	—	178,439
Other Assets	28,514	—	(2,754)	25,760	8,359	—	(3,398)	4,961
Total	**$1,016,342**	**$ 4,085**	**$(2,976)**	**$1,017,451**	**$762,447**	**$ 4,178**	**$(3,837)**	**$ 762,788**

The Company accounts for its investment portfolio at fair value. Realized gains (losses) for investments sold are specifically identified. Management assesses the fair value of investments in debt securities that are not actively traded through consideration of interest rates and their impact on the present value of the cash flows to be received from the investments. The Company also considers whether changes in the credit ratings of the issuer could impact the assessment of fair value. Net realized gains (losses) on investments included other-than-temporary impairment charges of $0.9 million, $0.3 million and $1.0 million in fiscal years 2010, 2009 and 2008, respectively. Additionally, realized gains (losses) from sales of investments were approximately $0.8 million and $(0.2) million in fiscal year 2010, $2.2 million and $(1.9) million in fiscal year 2009 and $3.3 million and $(1.3) million in fiscal year 2008, respectively.

The following is an analysis of the Company's fixed income securities in unrealized loss positions as of June 27, 2010 (in thousands):

	June 27, 2010					
	UNREALIZED LOSSES LESS THAN 12 MONTHS		UNREALIZED LOSSES 12 MONTHS OR GREATER		TOTAL	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Fixed Income Securities						
Municipal Notes and Bonds	$ 6,567	$ (11)	$ —	$ —	$ 6,567	$ (11)
Bank and Corporate Bonds	24,996	(92)	204	(1)	25,200	(93)
Mortgage Backed Securities — Residential	—	—	395	(42)	395	(42)
Mortgage Backed Securities — Commercial	15,558	(76)	—	—	15,558	(76)
Total Fixed Income	**$ 47,121**	**$ (179)**	**$ 599**	**$(43)**	**$47,720**	**$ (222)**

The amortized cost and fair value of cash equivalents and short-term investments and restricted cash and investments with contractual maturities are as follows:

	June 27, 2010		June 28, 2009	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
	(in thousands)			
Due in less than one year	$ 723,143	$ 723,707	$ 504,359	$ 504,597
Due in more than one year	196,855	200,154	153,732	157,233
	$ 919,998	$ 923,861	$ 658,091	$ 661,830

Management has the ability, if necessary, to liquidate any of its investments in order to meet the Company's liquidity needs in the next 12 months. Accordingly, those investments with contractual maturities greater than one year from the date of purchase nonetheless are classified as short-term on the accompanying consolidated balance sheets.

Derivative Instruments and Hedging

The Company carries derivative financial instruments ("derivatives") on its consolidated balance sheets at their fair values. The Company enters into foreign exchange forward contracts with financial institutions with the primary objective of reducing volatility of earnings and cash flows related to foreign currency exchange rate fluctuations. The counterparties to these foreign exchange forward contracts are creditworthy multinational financial institutions; therefore, we do not consider the risk of counterparty nonperformance to be material.

Cash Flow Hedges

The Company's policy is to attempt to minimize short-term business exposure to foreign currency exchange rate fluctuations using an effective and efficient method to eliminate or reduce such exposures. In the normal course of business, the Company's financial position is routinely subjected to market risk associated with foreign currency exchange rate fluctuations. To protect against a reduction in value of Japanese yen-denominated revenues, the Company has instituted a foreign currency cash flow hedging program. The Company enters into foreign exchange forward contracts that generally expire within 12 months and no later than 24 months. These foreign exchange forward contracts are designated as cash flow hedges and are carried on the Company's balance sheet at fair value with the effective portion of the contracts' gains or losses included in accumulated other comprehensive income (loss) and subsequently recognized in revenue in the same period the hedged revenue is recognized.

At inception and at each quarter end, hedges are tested for effectiveness using regression testing. Changes in the fair value of foreign exchange forward contracts due to changes in time value are excluded from the assessment of effectiveness and are recognized in revenue in the current period. The change in forward time value was not material for all reported periods. There were no gains or losses during the twelve months ended June 27, 2010 associated with ineffectiveness or forecasted transactions that failed to occur. There were $4.0 million of deferred net losses associated with ineffectiveness related to forecasted transactions that were no longer considered probable of occurring and were recognized in "Other income (expense), net" in the Company's consolidated statements of operations during twelve months ended June 28, 2009. There were no gains or losses during the twelve months ended June 29, 2008 associated with ineffectiveness or forecasted transactions that failed to occur. To qualify for hedge accounting, the hedge relationship must meet criteria relating both to the derivative instrument and the hedged item. These criteria include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows will be measured.

To receive hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge and the hedges must be highly effective in offsetting changes to future cash flows on hedged transactions. When derivative instruments are designated and qualify as effective cash flow hedges, the Company is able to defer effective changes in the fair value of the hedging instrument within accumulated other comprehensive income (loss) until the hedged exposure is realized. Consequently, with the exception of excluded time value and hedge ineffectiveness recognized, the Company's results of operations are not subject to fluctuation as a result of changes in the fair value of the derivative instruments. If hedges are not highly effective or if the Company does not believe that the underlying hedged forecasted transactions will occur, the Company may not be able to account for its derivative instruments as cash flow hedges. If this were to occur, future changes in the fair values of the Company's derivative instruments would be recognized in earnings. Additionally, related amounts previously recorded in "Other comprehensive income" would be reclassified to income immediately. At June 27, 2010, the Company had a de minimis amount of losses accumulated in other comprehensive income.

Balance Sheet Hedges

The Company also enters into foreign exchange forward contracts to hedge the effects of foreign currency fluctuations associated with foreign currency denominated monetary assets and liabilities, primarily intercompany receivables and payables. These foreign exchange forward contracts are not designated for hedge accounting treatment. Therefore, the change in fair value of these derivatives is recorded as a component of other income (expense) and offsets the change in fair value of the foreign currency denominated assets and liabilities, recorded in other income (expense).

As of June 27, 2010, the Company had the following outstanding foreign currency forward contracts that were entered into to hedge forecasted revenues and purchases:

	Derivatives Designated as ASC 815 Hedging Instruments:	Derivatives Not Designated as ASC 815 Hedging Instruments:
	(in thousands)	
Foreign Currency Forward Contracts		
Sell JPY	$73,349	$ —
Sell JPY		76,624
Buy CHF		189,158
Buy EUR		48,046
Sell EUR		9,882
Buy TWD		65,384
	$73,349	$ 389,094

The fair value of derivatives instruments in the Company's consolidated balance sheet as of June 27, 2010 was as follows:

	Fair Value of Derivative Instruments			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(in thousands)			
Derivatives designated as ASC 815 hedging instruments:				
Foreign exchange forward contracts	Prepaid expense and other assets	$ 30	Accrued liabilities	$ (52)
Derivatives not designated as hedging instruments under ASC 815:				
Foreign exchange forward contracts	Prepaid expense and other assets	$2,033	Accrued liabilities	$(418)
Total derivatives		**$2,063**		**$(470)**

The fair value of derivatives instruments in the Company's consolidated balance sheet as of June 28, 2009 was as follows:

	Fair Value of Derivative Instruments			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(in thousands)			
Derivatives designated as ASC 815 hedging instruments:				
Foreign exchange forward contracts	Prepaid expense and other assets	$ 6	Accrued liabilities	$ 0
Derivatives not designated as hedging instruments under ASC 815:				
Foreign exchange forward contracts	Prepaid expense and other assets	$68	Accrued liabilities	$(69)
Total derivatives		**$74**		**$(69)**

The effect of derivative instruments designated as cash flow hedges on the Company's consolidated statements of operations for the twelve months ended June 27, 2010 and June 28, 2009 was as follows:

	Twelve Months Ended June 27, 2010			
	Gain (Loss) Recognized (Effective Portion) (1)	Gain (Loss) Recognized (Effective Portion) (2)	Gain (Loss) Recognized (Ineffective Portion) (3)	Gain (Loss) Recognized (Excluded from Effectiveness Testing) (4)
	(in thousands)			
Derivatives Designated as ASC 815 Hedging Instruments:				
Foreign exchange forward contracts . . .	$388	$404	$—	$59

	Twelve Months Ended June 28, 2009			
	Gain (Loss) Recognized (Effective Portion) (1)	Gain (Loss) Recognized (Effective Portion) (2)	Gain (Loss) Recognized (Ineffective Portion) (3)	Gain (Loss) Recognized (Excluded from Effectiveness Testing) (4)
	(in thousands)			
Derivatives Designated as ASC 815 Hedging Instruments:				
Foreign exchange forward contracts . . .	$(11,840)	$(3,485)	$(4,085)	$1,462

(1) Amount recognized in other comprehensive income (loss) (effective portion).

(2) Amount of gain (loss) reclassified from accumulated other comprehensive income into income (loss) (effective portion) located in revenue.

(3) Amount of gain (loss) recognized in income on derivative (ineffective portion) located in other income (expense), net.

(4) Amount of gain (loss) recognized in income on derivative (amount excluded from effectiveness testing) located in other income (expense), net.

The effect of derivative instruments not designated as cash flow hedges on the Company's consolidated statement of operations for the twelve months ended June 27, 2010 and June 28, 2009 was as follows:

	Twelve Months Ended	
	June 27, 2010	June 28, 2009
	Gain (Loss) Recognized (5)	Gain (Loss) Recognized (5)
	(in thousands)	
Derivatives Not Designated as ASC 815 Hedging Instruments:		
Foreign exchange forward contracts	$(17,367)	$(953)

(5) Amount of gain (loss) recognized in income located in other income (expense), net.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents, short term investments, restricted cash and investments, loans receivable, trade accounts receivable, and derivative financial instruments used in hedging activities. Cash is placed on deposit in major financial institutions in various countries throughout the world. Such deposits may be in excess of insured limits. Management believes that the financial institutions that hold the Company's cash are financially sound and, accordingly, minimal credit risk exists with respect to these balances.

The Company's available-for-sale securities, which are invested in taxable financial instruments, must have a minimum rating of A2 / A, as rated by two of the following three rating agencies: Moody's, Standard & Poor's (S&P), or Fitch. Available-for-sale securities that are invested in tax-exempt financial instruments must have a minimum rating of A2 / A, as rated by any one of the same three rating agencies. The Company's policy limits the amount of credit exposure with any one financial institution or commercial issuer.

The Company is exposed to credit losses in the event of nonperformance by counterparties on the foreign currency forward contracts that are used to mitigate the effect of exchange rate changes. These counterparties are large international financial institutions and to date no such counterparty has failed to meet its financial obligations to the Company. The Company does not anticipate nonperformance by these counterparties.

As of June 27, 2010, two customers accounted for approximately 24% and 22 % of accounts receivable. As of June 28, 2009, three customers accounted for approximately 17%, 15%, and 14% of accounts receivable.

Credit risk evaluations, including trade references, bank references and Dun & Bradstreet ratings, are performed on all new customers and the Company monitors its customers' financial statements and payment performance. In general, the Company does not require collateral on sales.

Note 5: Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. Shipments to Japanese customers, to whom title does not transfer until customer acceptance, are classified as inventory and carried at cost until title transfers. Inventories consist of the following:

	June 27, 2010	June 28, 2009
	(in thousands)	
Raw materials	$159,574	$145,421
Work-in-process	67,114	35,487
Finished goods	91,791	52,502
	$318,479	$233,410

Note 6: Property and Equipment

Property and equipment, net, consist of the following:

	June 27, 2010	June 28, 2009
	(in thousands)	
Manufacturing, engineering and office equipment	$ 252,771	$ 254,397
Computer equipment and software	77,249	69,567
Land	15,788	16,550
Buildings	62,085	64,488
Leasehold improvements	55,300	52,115
Furniture and fixtures	14,095	13,295
	477,288	470,412
Less: accumulated depreciation and amortization	(276,952)	(254,746)
	$ 200,336	$ 215,666

Depreciation expense, including amortization of capital leases, recognized during fiscal years 2010, 2009, and 2008 was $47.8 million, $48.4 million, and $36.8 million, respectively.

Note 7: Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	June 27, 2010	June 28, 2009
	(in thousands)	
Accrued compensation	$164,579	$171,609
Warranty reserves	31,756	21,185
Income and other taxes payable	54,874	31,970
Other	58,188	56,571
	$309,397	$281,335

Following a voluntary independent review of the Company's historical employee stock option grant process, the Company considered whether Section 409A ("Section 409A") of the Internal Revenue Code of 1986, as amended ("IRC") and similar provisions of state law would apply to certain stock option grants that were found to have intrinsic value at the time of their respective measurement dates. If a stock option is not considered as issued with an exercise price of at least the fair market value of the underlying stock on the date of grant, it may be subject to penalty taxes under Section 409A and similar provisions of state law. In such a case, such taxes may be assessed not only on the intrinsic value increase, but on the entire stock option gain as measured at various times. On March 30, 2008, the Board of Directors of the Company authorized the Company to assume potential tax liabilities of certain employees, including the Company's Chief Executive Officer and certain other executive officers, relating to options that might be subject to Section 409A and similar provisions of state law. The assumed Section 409A liability was $53.7 million as of June 28, 2009 and is included in accrued compensation in the table above.

During fiscal year 2010, the Company reached a final settlement with respect to its Section 409A liabilities, which resulted in a reduction of the liability and net credits recognized in the statements of operations of $(5.8) million recorded in cost of goods sold and $(38.6) million recorded in operating expenses.

Note 8: Other Income (Expense), Net

The significant components of other income (expense), net, are as follows:

	Year Ended		
	June 27, 2010	June 28, 2009	June 29, 2008
		(in thousands)	
Interest income	$ 8,598	$24,283	$ 51,194
Interest expense	(994)	(6,497)	(12,674)
Foreign exchange gains (losses)	(103)	922	31,070
Other, net	(2,770)	(558)	(2,045)
	$ 4,731	$ 18,150	$ 67,545

Included in foreign exchange gains during the year ended June 29, 2008 are gains of $42.7 million relating primarily to the settlement of a hedge of the Swiss franc associated with the acquisition of SEZ.

Note 9: Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share is computed, using the treasury stock method, as though all potential common shares that are dilutive were outstanding during the period. There are no dilutive shares included during fiscal year 2009 due to the net loss for the period. The following table provides a reconciliation of the numerators and denominators of the basic and diluted computations for net income per share.

	Year Ended		
	June 27, 2010	June 28, 2009	June 29, 2008
	(in thousands, except per share data)		
Numerator:			
Net income (loss)	$346,669	$(302,148)	$439,349
Denominator:			
Basic average shares outstanding	126,933	125,595	124,647
Effect of potential dilutive securities:			
Employee stock plans	1,193	—	1,857
Diluted average shares outstanding	128,126	125,595	126,504
Net income (loss) per share — Basic	$ 2.73	$ (2.41)	$ 3.52
Net income (loss) per share — Diluted	$ 2.71	$ (2.41)	$ 3.47

For purposes of computing diluted net income (loss) per share, weighted-average common shares do not include potentially dilutive securities that are anti-dilutive under the treasury stock method. The following potentially dilutive securities were excluded:

	Year Ended		
	June 27, 2010	June 28, 2009	June 29, 2008
	(in thousands)		
Number of potentially dilutive securities excluded	577	2,699	250

Note 10: Comprehensive Income (Loss)

The components of comprehensive income (loss), on an after-tax basis where applicable, are as follows:

	Year Ended		
	June 27, 2010	June 28, 2009	June 29, 2008
	(in thousands)		
Net income (loss)	$346,669	$(302,148)	$439,349
Foreign currency translation adjustment	(13,868)	(58,587)	12,557
Unrealized gain (loss) on fair value of derivative financial instruments, net	(414)	(6,633)	398
Unrealized gain on financial instruments, net	2,062	1,192	2,787
Reclassification adjustment for loss (gain) included in earnings	(645)	501	(461)
Postretirement benefit plan adjustment	(4,162)	85	(359)
Comprehensive income (loss)	$329,642	$(365,590)	$454,271

The balance of accumulated other comprehensive loss, on an after-tax basis where applicable, is as follows:

	June 27, 2010	June 28, 2009
	(in thousands)	
Accumulated foreign currency translation adjustment	$(65,843)	$(51,975)
Accumulated unrealized gain (loss) on derivative financial instruments	(1)	15
Accumulated unrealized gain on financial instruments	1,225	206
Postretirement benefit plan adjustment	(5,230)	(1,068)
Accumulated other comprehensive loss	$ (69,849)	$ (52,822)

Note 11: Equity-Based Compensation Plans

The Company has adopted stock plans that provide for the grant to employees of equity-based awards, including stock options and restricted stock units, of Lam Research Common Stock. In addition, these plans permit the grant of nonstatutory equity-based awards to consultants and outside directors. Pursuant to the plans, the equity-based award price is determined by the Board of Directors or its designee, the plan administrator, but in no event will the exercise price for any option be less than the fair market value of the Company's Common Stock on the date of grant. Equity-based awards granted under the plans vest over a period determined by the Board of Directors or the plan administrator. The Company also has an ESPP that allows employees to purchase shares of its Common Stock through payroll deduction at a discounted price. A summary of stock plan transactions is as follows:

	Options Outstanding			Restricted Stock Units Outstanding	
	Available For Grant	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average FMV at Grant
June 24, 2007	23,999,837	3,285,140	$20.37	1,843,675	$43.14
Granted	(960,157)	—	$ —	960,157	$43.41
Exercised		(663,681)	$19.13		
Canceled	84,124	(14,765)	$23.23	(69,359)	$47.97
Expired	(7,283,998)				
Vested restricted stock				(1,038,249)	$37.56
June 29, 2008	15,839,806	2,606,694	$21.60	1,696,224	$46.51
Granted	(2,592,679)	476,094	$20.21	2,116,585	$27.29
Exercised		(731,934)	$16.42		
Canceled	981,297	(760,538)	$24.97	(220,759)	$43.98
Expired	(3,516,323)				
Vested restricted stock				(1,071,987)	$47.26
June 28, 2009	10,712,101	1,590,316	$22.10	2,520,063	$30.32
Granted	(1,383,941)	—	$ —	1,383,941	$34.71
Exercised		(642,861)	$20.91		
Canceled	259,579	(62,030)	$41.36	(197,549)	$33.23
Vested restricted stock				(965,693)	$35.29
June 27, 2010	9,587,739	885,425	$ 21.61	2,740,762	$30.50

Outstanding and exercisable options presented by price range at June 27, 2010 are as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options Outstanding	Weighted-Average Remaining Life (Years)	Weighted-Average Exercise Price	Number of Options Exercisable	Weighted-Average Exercise Price
$14.38-$14.81	39,595	0.49	$14.61	39,595	$14.61
$16.14-$16.88	53,111	1.13	$16.40	53,111	$16.40
$17.50-$18.75	7,725	0.39	$18.15	7,725	$18.15
$19.25-$20.71	494,044	3.58	$20.22	17,950	$20.44
$21.26-$22.79	12,475	1.14	$21.84	12,475	$21.84
$23.03-$23.99	39,665	1.21	$23.60	39,665	$23.60
$24.19-$24.72	107,600	1.36	$24.52	107,600	$24.52
$25.25-$27.79	41,350	0.93	$26.42	41,350	$26.42
$28.00-$29.47	85,750	4.05	$29.03	85,750	$29.03
$31.40-$36.88	4,110	0.44	$31.55	4,110	$31.55
$14.38-$36.88	885,425	2.76	$ 21.61	409,331	$23.24

The Company awarded a total of 1,383,941 and 2,116,585 restricted stock units during fiscal years 2010 and 2009, respectively. Certain of the unvested restricted stock units at June 27, 2010 include Company-specific performance targets as vesting criteria. As of June 27, 2010, a total of 2,740,762 restricted stock units remained subject to vesting requirements. The Company did not award any stock options during fiscal year 2010. The Company awarded 476,094 stock options during fiscal year 2009, all of which remain subject to vesting requirements as of June 27, 2010.

The 2007 Stock Incentive Plan provides for the grant of non-qualified equity-based awards to eligible employees, consultants and advisors, and non-employee directors of the Company and its subsidiaries. Additional shares are reserved for issuance pursuant to awards previously granted under the Company's 1997 Stock Incentive Plan and its 1999 Stock Option Plan. As of June 27, 2010 there were a total of 3,626,187 shares subject to options and restricted stock units issued and outstanding under the Company's Stock Plans. As of June 27, 2010, there were a total of 9,587,739 shares available for future issuance under the 2007 Stock Incentive Plan.

The ESPP allows employees to designate a portion of their base compensation to be deducted and used to purchase the Company's Common Stock at a purchase price per share of the lower of 85% of the fair market value of the Company's Common Stock on the first or last day of the applicable purchase period. Typically, each offering period lasts 12 months and comprises three interim purchase dates. In fiscal year 2004, the Company's stockholders approved an amendment to the 1999 ESPP to (i) each year automatically increase the number of shares available for issuance under the plan by a specific amount on a one-for-one basis with shares of Common Stock that the Company will redeem in public market and private purchases for such purpose and (ii) to authorize the Plan Administrator (the Compensation Committee of the Board) to set a limit on the number of shares a plan participant can purchase on any single plan exercise date. The automatic annual increase provides that the number of shares in the plan reserve available for issuance shall be increased on the first business day of each calendar year commencing with 2004, on a one-for-one basis with each share of Common Stock that the Company redeems, in public-market or private purchases, and designates for this purpose, by a number of shares equal to the lesser of (i) 2,000,000, (ii) one and one-half percent (1.5%) of the number of shares of all classes of Common Stock of the Company outstanding on the first business day of such calendar year, or (iii) a lesser number determined by the Plan Administrator. During fiscal years 2010, 2009, and 2008, the number of shares of Lam Research Common Stock reserved for issuance under the 1999 ESPP increased by 1.9 million each year, subject to the Company's repurchase of an equal number of shares in public market or private purchases.

During fiscal year 2010, a total of 777,448 shares of the Company's Common Stock were sold to employees under the 1999 ESPP. A total of 12,164,242 shares of the Company's Common Stock have been issued under the 1999 ESPP through June 27, 2010, at prices ranging from $4.11 to $46.25 per share. At June 27, 2010, 8,499,066 shares were available for purchase under the 1999 ESPP.

The Company recognized equity-based compensation expense of $50.5 million during fiscal year 2010, $53.0 million during fiscal year 2009, and $42.5 million during fiscal year 2008. The income tax benefit recognized in the consolidated statements of operations related to equity-based compensation expense was $8.3 million during fiscal 2010, $9.1 million during fiscal year 2009, and $7.0 million during fiscal year 2008. The tax benefit realized from the exercise and vesting of stock options and restricted stock was $11.1 million during fiscal year 2010, $8.1 million during fiscal year 2009, and $18.2 million during fiscal year 2008. The estimated fair value of the Company's stock-based awards, less expected forfeitures, is amortized over the awards' vesting period on a straight-line basis.

Stock Options and Restricted Stock Units

Stock Options

The Company did not grant any stock options during fiscal years 2010 or 2008. The fair value of the Company's stock options granted during fiscal year 2009 was estimated using a Black-Scholes option valuation model. This model requires the input of highly subjective assumptions, including expected stock price volatility and the estimated life of each award. The Company assumed no expected dividends and the following assumptions were used to value these stock options:

Expected term	4.0 years
Expected volatility	46.9%
Risk-free interest rate	2.07%

The year-end intrinsic value relating to stock options for fiscal years 2010, 2009, and 2008 is presented below:

	Year Ended		
	June 27, 2010	June 28, 2009	June 29, 2008
		(millions)	
Intrinsic value — options outstanding	$16.50	$6.70	$41.20
Intrinsic value — options exercisable	$ 6.96	$4.50	$40.74
Intrinsic value — options exercised	$ 9.98	$7.20	$22.18

As of June 27, 2010, there was $1.2 million of total unrecognized compensation cost related to unvested stock options granted and outstanding; that cost is expected to be recognized through the March 2011 quarter. Cash received from stock option exercises was $13.4 million, $12.0 million, and $12.7 million during fiscal years 2010, 2009, and 2008, respectively.

Restricted Stock Units

The fair value of the Company's restricted stock units was calculated based upon the fair market value of the Company's stock at the date of grant. As of June 27, 2010, there was $59.5 million of total unrecognized compensation cost related to unvested restricted stock units granted; that cost is expected to be recognized over a weighted average remaining vesting period of 1.6 years.

ESPP

ESPP rights were valued using the Black-Scholes model. During fiscal years 2010, 2009, and 2008 ESPP was valued assuming no expected dividends and the following weighted-average assumptions:

	Year Ended		
	June 27, 2010	June 28, 2009	June 29, 2008
Expected life (years)	0.78	0.68	0.82
Expected stock price volatility	59.07%	74.00%	42.60 %
Risk-free interest rate	0.61%	0.41%	2.00 %

As of June 27, 2010, there was $3.6 million of total unrecognized compensation cost related to the ESPP that is expected to be recognized over a remaining vesting period of 6 months.

Note 12: Profit Sharing and Benefit Plans

Profit Sharing

Profit sharing is awarded to certain employees based upon performance against specific corporate financial and operating goals. Distributions to employees by the Company are based upon a percentage of earned compensation, provided that a threshold level of the Company's financial and performance goals are met. In addition to profit sharing the Company has other bonus plans based on achievement of profitability and other specific performance criteria. Charges to expense under these plans were $72.5 million, $16.2 million, and $93.1 million during fiscal years 2010, 2009, and 2008, respectively.

Employee Savings and Retirement Plan

The Company maintains a 401(k) retirement savings plan for its full-time employees in North America. Each participant in the plan may elect to contribute from 1% to 75% of his or her annual eligible earnings to the plan, subject to statutory limitations. The Company makes matching employee contributions in cash to the plan at the rate of 50% of the first 6% of earnings contributed. Employees participating in the 401(k) retirement savings plan are 100% vested in the Company matching contributions, and investments are directed by participants. The Company made matching contributions of approximately $4.3 million, $4.7 million, and $5.0 million in fiscal years 2010, 2009, and 2008, respectively.

Additionally, outside of North America, the Company provides long term savings plans for its employees consistent with local practice and market competitiveness.

Deferred Compensation Arrangements

The Company has an unfunded, non-qualified deferred compensation plan whereby certain executives may defer a portion of their compensation. Participants earn a return on their deferred compensation based on their allocation of their account balance among measurement funds. The Company controls the investment of these funds and the participants remain general creditors of the Company. Participants are able to elect the payment of benefits on a specified date at least three years after the opening of a of deferral subaccount or upon retirement. Distributions are made in the form of lump sum or annual installments over a period of up to 20 years as elected by the participant. If no alternate election has been made, a lump sum payment will be made upon termination of a participant's employment with the Company. As of June 27, 2010 and June 28, 2009 the liability of the Company to the plan participants was $55.1 million and $52.4 million, respectively, which was recorded in accrued expenses and other current liabilities on the Consolidated Balance Sheets. As of June 27, 2010 and June 28, 2009 the Company invested in certain assets in the form of retail mutual funds and company owned life insurance policies that correlate to the deferred compensation obligations of $53.0 million and $26.8 million, respectively, which was recorded in other assets on the consolidated balance sheets.

Postretirement Healthcare Plan

The Company maintains a postretirement healthcare plan for certain executive and director retirees. Coverage continues through the duration of the lifetime of the retiree or the retiree's spouse, whichever is longer. The benefit obligation was $8.9 million and $2.6 million as of June 27, 2010 and June 28, 2009, respectively.

Note 13: Commitments

The Company has certain obligations to make future payments under various contracts. Consistent with GAAP, some of these are recorded on its balance sheet and some are not. Obligations that are recorded on the Company's balance sheet include the Company's long-term debt and capital lease obligations. The Company's off-balance sheet arrangements include contractual relationships for operating leases, purchase obligations, and guarantees. The Company's contractual cash obligations and commitments relating to long-term debt and off-balance sheet agreements are included in the table below. These amounts exclude $110.5 million of liabilities related to uncertain tax benefits because the Company is unable to reasonably estimate the ultimate amount or time of settlement. See Note 14, of Notes to Consolidated Financial Statements for further discussion.

Capital Leases

Capital leases reflect building lease obligations assumed from the Company's acquisition of SEZ and an office equipment lease. The amounts in the table below include the interest portion of payment obligations.

Long-Term Debt

During fiscal year 2010 the Company made $21.0 million in principal payments on long-term debt and capital leases. During fiscal year 2009, the Company paid the outstanding principal balance of $250.0 million of its existing long-term debt with ABN AMRO Bank N.V. ("ABN AMRO") using existing cash balances. There were no penalties associated with the payment. In connection with the payment, the parties agreed to terminate the ABN AMRO Credit Agreement and related Collateral Documents. ABN AMRO continues to be a participant in our operating leases with BNP Paribas Leasing Corporation and continues to provide banking services to the Company for customary fees.

The Company's remaining total long-term debt of $7.0 million as of June 27, 2010 is the result of obligations the Company assumed in connection with the acquisition of SEZ, consisting of various bank loans and government subsidized technology loans supporting operating needs.

The Company's contractual cash obligations relating to its existing capital leases and long-term debt as of June 27, 2010 were as follows:

	Capital Leases	Long-term Debt	Total
		(in thousands)	
Payments due by period:			
One year	$ 1,671	$3,598	$ 5,269
Two years	1,682	2,789	4,471
Three years	1,655	576	2,231
Four years	1,373	—	1,373
Five years	1,373	—	1,373
Over 5 years	9,206	—	9,206
Total	16,960	6,963	23,923
Interest on capital leases	1,311		1,311
Current portion of long-term debt and capital leases	1,369	3,598	4,967
Long-term debt and capital leases	$ 14,280	$3,365	$ 17,645

Operating Leases

The Company leases most of its administrative, R&D and manufacturing facilities, regional sales/service offices and certain equipment under non-cancelable operating leases, which expire at various dates through fiscal year 2016. Certain of the Company's facility leases for buildings located at its Fremont, California headquarters and certain other facility leases provide the Company with an option to extend the leases for additional periods or to purchase the facilities. Certain of the Company's facility leases provide for periodic rent increases based on the general rate of inflation. The Company's rental expense for facilities occupied during fiscal years 2010, 2009, and 2008 was approximately $6 million, $9 million, and $11 million, respectively.

Included in the Operating Leases five years section of the table below is $141.7 million in guaranteed residual values for lease agreements relating to certain properties at the Company's Fremont, California campus and properties in Livermore, California.

On December 18, 2007, the Company entered into two operating leases regarding certain improved properties in Livermore, California. These leases were amended on April 3, 2008 and July 9, 2008 (as so amended, the "Livermore Leases"). On December 21, 2007, the Company entered into a series of four amended and restated operating leases (the "New Fremont Leases," and collectively with the Livermore Leases, the "Operating Leases") with regard to certain improved properties at the Company's headquarters in Fremont, California. Each of the Operating Leases is an off-balance sheet arrangement. The Operating Leases (and associated documents for each Operating Lease) were entered into by the Company and BNP Paribas Leasing Corporation ("BNPPLC").

Each Operating Lease facility has a term of approximately seven years ending on the first business day in January 2015. Under each Operating Lease, the Company may, at its discretion and with 30 days' notice, elect to purchase the property that is the subject of the Operating Lease for an amount approximating the sum required to prepay the amount of BNPPLC's investment in the property and any accrued but unpaid rent. Any such amount may also include an additional make-whole amount for early redemption of the outstanding investment, which will vary depending on prevailing interest rates at the time of prepayment.

The Company is required, pursuant to the terms of the Operating Leases and associated documents, to maintain collateral in an aggregate of approximately $164.9 million in separate interest-bearing accounts as security for the Company's obligations under the Operating Leases. As of June 27, 2010, the Company had $164.9 million recorded as restricted cash in its consolidated balance sheet as collateral required under the Operating Leases related to the amounts currently outstanding on the facilities.

When the term of an Operating Lease expires, the property subject to that Operating Lease may be remarketed. The Company has guaranteed to BNPPLC that each property will have a certain minimum residual value, as set forth in the applicable Operating Lease. The aggregate guarantee made by the Company under the Operating Leases is generally no more than approximately $141.7 million; however, under certain default circumstances, the guarantee with regard to an Operating Lease may be 100% of BNPPLC's aggregate investment in the applicable property. The amounts payable under such guarantees will be no more than $164.9 million plus related indemnification or other obligations.

The lessor under the Operating Leases is a substantive independent leasing company that does not have the characteristics of a variable interest entity (VIE) and is therefore not consolidated by the Company.

The Company's contractual cash obligations with respect to operating leases as of June 27, 2010 were as follows:

	Operating Leases (in thousands)
Payments due by period:	
One year	$ 8,012
Two years	5,068
Three years	4,092
Four years	2,883
Five years	143,162
Over 5 years	7,875
Total	$ 171,092

Purchase Obligations

Purchase obligations consist of significant contractual obligations either on an annual basis or over multi-year periods related to the Company's outsourcing activities or other material commitments, including vendor-consigned inventories. The Company continues to enter into new agreements and maintain existing agreements to outsource certain activities, including elements of its manufacturing, warehousing, logistics, facilities maintenance, certain information technology functions, and certain transactional general and administrative functions. The contractual cash obligations and commitments table presented below contains the Company's obligations at June 27, 2010 under these arrangements and others. Actual expenditures will vary based on the volume of transactions and length of contractual service provided. In addition to these obligations, certain of these agreements include early termination provisions and/or cancellation penalties that could increase or decrease amounts actually paid.

Consignment inventories, which are owned by vendors but located in the Company's storage locations and warehouses, are not reported as the Company's inventory until title is transferred to the Company or its purchase obligation is determined. At June 27, 2010, vendor-owned inventories held at the Company's locations and not reported as its inventory were $33.7 million.

The Company's contractual cash obligations and commitments related to these agreements as of June 27, 2010 are as follows:

	Purchase Obligations (in thousands)
Payments due by period:	
One year	$ 218,469
Two years	33,370
Three years	26,306
Four years	14,798
Five years	11,851
Over 5 years	7,715
Total	$ 222,509

Guarantees

The Company has issued certain indemnifications to its lessors for taxes and general liability under some of its lease agreements. The Company has entered into certain insurance contracts that may limit its exposure to these indemnification obligations. As of June 27, 2010, the Company has not recorded any liability on its consolidated financial statements in connection with these indemnifications, as it does not believe, based on information available, that it is probable that any amounts will be paid under these guarantees.

Generally, the Company indemnifies its customers for infringement of third-party intellectual property rights by the Company's products or services, under pre-determined conditions and limitations. The Company seeks to limit its liability for any indemnity to an amount not to exceed the sales price of the products or services subject to its indemnification obligations. The Company does not believe, based on information available, that it is probable that any material amounts will be paid under these indemnities.

The Company recognized at lease inception $0.6 million in estimated liabilities related to the Operating Leases, which represents the fair value guarantee premium that would be required had the guarantee been issued in a standalone transaction. These liabilities are recorded in other long-term liabilities with the offsetting entry recorded as prepaid rent in other assets. The balances in prepaid rent and the guarantee liability are amortized to the statement of operations on a straight line basis over the life of the leases. If it becomes probable that the Company will be required to make a payment under the residual guarantee, the Company will increase its liability with a corresponding increase to prepaid rent and amortize the increased prepaid rent over the remaining lease term with no corresponding reduction in the liability. As of June 27, 2010, the unamortized portion of the fair value of the residual value guarantees remaining in other long-term liabilities and prepaid rent was $0.3 million.

During fiscal year 2010, the Company recognized a restructuring charge of $13.0 million related to the reassessment of the residual value guarantee for previously restructured leases; the liability was recorded in other long-term liabilities.

Warranties

The Company provides standard warranties on our systems that generally run for a period of 12 months from system acceptance. The liability amount is based on actual historical warranty spending activity by type of system, customer, and geographic region, modified for any known differences such as the impact of system reliability improvements.

Changes in the Company's product warranty reserves were as follows:

	Year Ended	
	June 27, 2010	**June 28, 2009**
	(in thousands)	
Balance at beginning of period	$ 21,185	$ 61,308
Warranties assumed upon acquisitions	—	878
Warranties issued during the period	36,875	13,613
Settlements made during the period	(18,673)	(31,553)
Expirations and change in liability for pre-existing warranties during the period	(7,301)	(20,805)
Changes in foreign currency exchange rates	(330)	(2,256)
Balance at end of period	$ 31,756	$ 21,185

Note 14: Income Taxes

The components of income (loss) before income taxes are as follows:

	Year Ended June 27, 2010	Year Ended June 28, 2009	Year Ended June 29, 2008
	(in thousands)		
United States	$ 140,309	$ 26,200	$263,489
Foreign	289,832	(289,293)	313,487
	$ 430,141	$ (263,093)	$576,976

Significant components of the provision (benefit) for income taxes attributable to income before income taxes are as follows:

	Year Ended June 27, 2010	Year Ended June 28, 2009	Year Ended June 29, 2008
	(in thousands)		
Federal:			
Current	$38,221	$ (6,523)	$116,788
Deferred	11,438	11,668	(18,635)
	$ 49,659	$ 5,145	$ 98,153
State:			
Current	$ 6,126	$ (487)	$ 5,603
Deferred	5,009	8,047	930
	$ 11,135	$ 7,560	$ 6,533
Foreign:			
Current	$22,813	$15,017	$ 38,294
Deferred	(135)	11,333	(5,353)
	$22,678	$26,350	$ 32,941
Total Provision for Income Taxes	$ 83,472	$ 39,055	$ 137,627

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for income tax purposes, as well as the tax effect of carryforwards. Significant components of the Company's net deferred tax assets are as follows:

	June 27, 2010	June 28, 2009
	(in thousands)	
Deferred tax assets:		
Tax carryforwards	$ 50,182	$ 57,350
Allowances and reserves	63,143	72,037
Inventory valuation differences	7,764	11,656
Equity-based compensation	6,202	6,200
Capitalized R&D expenses	5,027	5,677
Other	5,088	4,095
Gross deferred tax assets	137,406	157,015
Valuation allowance	(36,957)	(35,518)
Net deferred tax assets	100,449	121,497
Deferred tax liabilities:		
Fixed assets depreciation and intangibles amortization	(20,188)	(25,632)
State cumulative temporary differences	(10,118)	(11,917)
Amortization of goodwill	(6,026)	(4,326)
Gross deferred tax liabilities	(36,332)	(41,875)
Net deferred tax assets	$ 64,117	$ 79,622

Realization of the Company's net deferred tax assets is based upon the weight of available evidence, including such factors as the recent earnings history and expected future taxable income. The Company believes it is more likely than not that such assets will be realized with the exception of $37.0 million related to certain California and foreign deferred tax assets. To the extent realization of the deferred tax assets becomes more-likely-than-not, the Company would recognize such deferred tax asset as an income tax benefit during the period the realization occurred. However, ultimate realization of deferred tax assets could be negatively impacted by market conditions and other variables not known or anticipated at this time.

The provisions related to the tax accounting for stock-based compensation prohibit the recognition of a deferred tax asset for an excess benefit that has not yet been realized. As a result, we will only recognize a benefit from stock-based compensation in additional paid-in-capital if an incremental tax benefit is realized or realizable after all other tax attributes currently available to us have been utilized. In addition, we have elected to account for the indirect benefits of stock-based compensation on the R&D tax credit through the consolidated statement of income (continuing operations) rather than through additional paid-in-capital.

As of June 27, 2010, the Company had California net operating loss carry-forwards of approximately $2.3 million. Unused net operating loss carry-forwards will expire in the year 2030. When recognized these net operating losses will result in a benefit to additional paid-in capital of approximately $0.1 million.

At June 27, 2010, the Company had federal and state tax credit carryforwards of approximately $182.5 million, of which approximately $66.8 million will expire in varying amounts between fiscal years 2026 and 2031. The remaining balance of $115.7 million of tax carryforwards may be carried forward indefinitely. The tax benefits relating to approximately $57.0 million of the tax credit carryforwards will be credited to additional paid-in-capital when recognized.

At June 27, 2010, the Company had foreign net operating loss carryforwards of approximately $68.9 million, of which approximately $25.9 million may be carried forward indefinitely and $43.0 million will begin to expire in fiscal year 2012.

A reconciliation of income tax expense provided at the federal statutory rate (35% in fiscal years 2010, 2009 and 2008) to actual income expense is as follows:

	Year Ended		
	June 27, 2010	June 28, 2009	June 29, 2008
		(in thousands)	
Income tax expense computed at federal statutory rate	$150,549	$ (92,083)	$201,942
State income taxes, net of federal tax benefit	4,754	(4,550)	3,712
Foreign income taxes at different rates	(84,081)	125,124	(84,077)
Tax credits	(4,410)	(9,273)	(6,745)
Valuation Allowance, net of federal tax benefit	4,627	12,109	—
Equity-based compensation	11,847	10,985	10,717
Other, net	186	(3,257)	12,078
	$ 83,472	$ 39,055	$ 137,627

Effective from fiscal year 2003 through June 2013, the Company has negotiated a tax holiday in Switzerland for one of its foreign subsidiaries, which is conditional upon the Company meeting certain employment and investment thresholds. The impact of the tax holiday decreased income taxes by approximately $45.9 million and $18.9 million for fiscal years 2010 and 2008, respectively. The Company did not record a tax benefit related to the tax holiday in 2009. The benefit of the tax holiday on diluted earnings per share was approximately $0.36 in fiscal year 2010, $0.00 in fiscal year 2009, and $0.15 in fiscal year 2008.

Unremitted earnings of the Company's foreign subsidiaries included in consolidated retained earnings aggregated to approximately $1.01 billion at June 27, 2010. These earnings, which reflect full provisions for foreign income taxes, are indefinitely reinvested in foreign operations. If these earnings were remitted to the United States, they would be subject to U.S. and foreign withholding taxes of approximately $250.9 million at current statutory rates. The Company's federal income tax provision includes U.S. income taxes on certain foreign-based income.

Accounting standards prescribe a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. These accounting standards also provide guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of June 27, 2010, the total gross unrecognized tax benefits were $190.5 million compared to $178.4 million as of June 28, 2009, and $143.8 million as of June 29, 2008. During fiscal year 2010, gross unrecognized tax benefits increased by approximately $12 million. The amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate was $153.8 million, $125.5 million, and $101.8 million as of June 27, 2010, June 28, 2009, and June 29, 2008, respectively. The aggregate changes in the balance of gross unrecognized tax benefits were as follows:

	(in millions)
Beginning balance as of June 25, 2007 (date of adoption)	**$119.2**
Settlements and effective settlements with tax authorities and related remeasurements	(11.7)
Lapse of statute of limitations	(0.7)
Increases in balances related to tax positions taken during prior periods	—
Decreases in balances related to tax positions taken during prior periods	—
Increases in balances related to tax positions taken during current period	37.0
Balance as of June 29, 2008	**$143.8**
Settlements and effective settlements with tax authorities and related remeasurements	—
Lapse of statute of limitations	(0.7)
Increases in balances related to tax positions taken during prior periods	13.9
Decreases in balances related to tax positions taken during prior periods	(2.5)
Increases in balances related to tax positions taken during current period	23.9
Balance as of June 28, 2009	**$178.4**
Settlements and effective settlements with tax authorities and related remeasurements	(1.3)
Lapse of statute of limitations	(8.1)
Increases in balances related to tax positions taken during prior periods	5.5
Decreases in balances related to tax positions taken during prior periods	(2.0)
Increases in balances related to tax positions taken during current period	18.0
Balance as of June 27, 2010	**$190.5**

During fiscal year 2008, the Company completed its unilateral advanced pricing agreement ("APA") with certain foreign tax authorities. As a result of the APA, the Company reduced its balance of gross unrecognized tax benefits by approximately $11.7 million, of which $8.1 million relates to years prior to fiscal year 2008.

The Company recognizes interest expense and penalties related to the above unrecognized tax benefits within income tax expense. The Company had accrued $18.5 million, $19.1 million, and $12.6 million, cumulatively, for gross interest and penalties as of June 27, 2010, June 28, 2009 and June 29, 2008, respectively.

The Company files U.S. federal, U.S. state, and foreign income tax returns. As of June 27, 2010, tax years 2001-2009 remain subject to examination in the jurisdictions where the Company operates.

The Internal Revenue Service ("IRS") is examining the Company's U.S. income tax return for fiscal year 2007. The California Franchise Tax Board ("FTB") is examining the Company's tax returns for fiscal years 2005 and 2006. It is anticipated that the IRS audit will be completed in fiscal year 2011. As of June 27, 2010, no significant adjustments have been proposed by the IRS or FTB. The Company is unable to make a reasonable estimate as to when cash settlements, if any, with the relevant taxing authorities will occur.

The French tax authorities have examined the Company's tax returns for the fiscal years 2004 through 2006 and have proposed certain adjustments to its transfer pricing. The Company believes it has made adequate tax payments and accrued adequate amounts such that the outcome of these audits will have no material adverse effects on its results of operations or financial condition. It is reasonably possible that certain examinations may be concluded in the next twelve months.

The Company does not anticipate that the total unrecognized tax benefits will significantly change due to the settlement of audits or the expiration of statute of limitations in the next 12 months.

Note 15: Acquisitions

During fiscal year 2008, the Company acquired approximately 99% of the outstanding shares of SEZ, a major supplier of single-wafer wet clean technology and products to the global semiconductor manufacturing industry. The acquisition was an all-cash transaction. The Company acquired the remaining outstanding shares during the six months ended December 28, 2008. The acquisition of the shares was conducted pursuant to the terms of a Transaction Agreement entered into on December 10, 2007 by and between the Company and SEZ. SEZ's Spin-Process single-wafer clean technology is part of a broad equipment portfolio for wafer cleaning and decontamination that is a key process adjacent to the etch process.

The acquisition was accounted for as a business combination and the purchase price at the time of acquisition was allocated based on the estimated fair value of net tangible and intangible assets acquired, and liabilities assumed.

The purchase price was allocated to the fair value of assets acquired and liabilities assumed as follows, in thousands:

Cash consideration	$628,092
Transaction costs	11,115
	$ 639,207
Net tangible assets	$345,494
Intangible assets	67,743
Goodwill	225,970
	$ 639,207

Unaudited pro forma financial information for the Company is presented below as if the acquisition of SEZ occurred at the beginning of the fiscal 2008. The pro forma information presented below is not necessarily indicative of the consolidated financial position or results of operations in future periods or the results that actually would have been realized had the acquisition in fact occurred at the beginning of fiscal year 2008. The pro forma results below reflect certain adjustments to exclude one-time transaction costs incurred with the acquisition, to amortize intangible assets and to transition to an acceptance-based revenue recognition model with respect to the acquisition of SEZ.

Pro forma results of operations are as follows for the twelve months ended June 29, 2008:

	June 29, 2008
Pro forma revenue	$2,687,846
Pro forma net income	445,621
Pro forma basic earnings per share	$ 3.58
Pro forma diluted earnings per share	$ 3.52

Note 16: Goodwill and Intangible Assets

Goodwill

There were no changes in goodwill or accumulated impairment during the twelve months ended June 27, 2010. Gross goodwill and accumulated impairment losses as of both June 27, 2010 and June 28, 2009 were $265.5 million and $96.3 million, respectively. Changes in the balance of goodwill during the twelve months ended June 28, 2009 were as follows:

	(in thousands)
Balance as of June 29, 2008	$ 281,298
Additional share purchases / acquisitions	10,960
Tax adjustments	(1,303)
Goodwill impairment	(96,255)
Effect of changes in foreign currency exchange rates	(25,518)
Balance as of June 28, 2009	$ 169,182

During fiscal year 2009, a combination of factors, including the economic environment, a sustained decline in the Company's market valuation and a decline in the Company's operating results were indicators of possible impairment of the Company's goodwill. The Company conducted an analysis and concluded that the fair value of the Company's Clean Product Group had been reduced below its carrying value. As a result, the Company recorded a non-cash goodwill impairment charge of approximately $96.3 million during fiscal year 2009.

The calculation of the goodwill impairment charge was based on estimates of future operating results. If the Company's future operating results do not meet current forecasts or if the Company experiences a sustained decline in its market capitalization that is determined to be indicative of a reduction in fair value of the Company's Clean Product Group, an additional impairment analysis may be required which may result in additional impairment charges.

Goodwill attributable to the SEZ acquisition of approximately net $104 million is not tax deductible due to foreign jurisdiction law. The remaining goodwill balance of approximately $65 million is tax deductible.

Intangible Assets

The following table provides details of the Company's intangible assets subject to amortization as of June 27, 2010 (in thousands, except years):

	Gross	Accumulated Amortization	Net	Weighted-Average Useful Life (years)
Customer relationships	$ 35,226	$(18,512)	$16,714	6.90
Existing technology	61,598	(27,084)	34,514	6.70
Other intangible assets	35,216	(27,783)	7,433	4.10
Patents	20,270	(11,207)	9,063	6.13
	$ 152,310	$(84,586)	$ 67,724	6.07

The following table provides details of the Company's intangible assets subject to amortization as of June 28, 2009 (in thousands, except years):

	Gross	Accumulated Amortization	Net	Weighted-Average Useful Life (years)
Customer relationships	$ 35,226	$(13,557)	$21,669	6.90
Existing technology	61,598	(19,003)	42,595	6.70
Other intangible assets	35,216	(20,222)	14,994	4.10
Patents	20,270	(7,923)	12,347	6.13
	$ 152,310	$ (60,705)	$ 91,605	6.07

The Company recognized $23.9 million, $24.0 million, and $17.9 million in intangible asset amortization expense during fiscal years 2010, 2009, and 2008, respectively.

The estimated future amortization expense of purchased intangible assets as of June 27, 2010 was as follows (in thousands):

Fiscal Year	Amount
2011	20,911
2012	17,802
2013	16,156
2014	10,269
2015	2,074
Thereafter	512
	$67,724

Note 17: Segment, Geographic Information and Major Customers

The Company operates in one reportable business segment: manufacturing and servicing of front-end wafer processing semiconductor manufacturing equipment. The Company's material operating segments qualify for aggregation due to their identical customer base and similarities in economic characteristics, nature of products and services, and processes for procurement, manufacturing and distribution.

The Company operates in six geographic regions: North America, Europe, Japan, Korea, Taiwan, and Asia Pacific. For geographical reporting, revenue is attributed to the geographic location in which the customers' facilities are located while long-lived assets are attributed to the geographic locations in which the assets are located.

	Year Ended		
	June 27, 2010	June 28, 2009	June 29, 2008
		(in thousands)	
Revenue:			
North America	$ 186,036	$ 171,359	$ 417,807
Europe	133,685	121,178	235,191
Japan	318,641	234,070	455,322
Korea	539,312	239,911	554,924
Taiwan	703,854	208,053	502,683
Asia Pacific	252,248	141,375	308,984
Total revenue	$ 2,133,776	$ 1,115,946	$ 2,474,911

	June 27, 2010	June 28, 2009	June 29, 2008
		(in thousands)	
Long-lived assets:			
North America	$ 178,055	$ 183,372	$ 188,432
Europe	77,839	90,608	113,020
Japan	1,377	1,776	1,982
Korea	12,379	11,478	3,511
Taiwan	2,627	2,687	5,420
Asia Pacific	4,335	4,077	1,797
Total long-lived assets	$ 276,612	$ 293,998	$ 314,162

In fiscal year 2010, revenues from Samsung Electronics Company, Ltd., Taiwan Semiconductor Manufacturing Company, Ltd., and Toshiba Corporation accounted for approximately 24%, 15%, and 11%, respectively, of total revenues. In fiscal year 2009, revenues from Samsung Electronics Company, Ltd. and Toshiba Corporation accounted for approximately 19% and 11%, respectively, of total revenues. In fiscal year 2008, revenues from Samsung Electronics Company, Ltd. and Toshiba Corporation accounted for approximately 19% and 13%, respectively of total revenues.

Note 18: Restructuring and Asset Impairments

Prior to the end of each of the June 2008, December 2008, and March 2009 quarters, the Company initiated the announced restructuring activities and management, with the proper level of authority, approved specific actions under the June 2008, December 2008, and March 2009 Plans (as defined below in this Note 18). Severance packages to affected employees were communicated in enough detail such that the employees could determine their type and amount of benefit. The termination of the affected employees occurred as soon as practical after the restructuring plans were announced. The amount of remaining future lease payments and certain contractual obligations for facilities the Company ceased to use and included in the restructuring charges is based on management's estimates using known prevailing real estate market conditions at that time based, in part, on the opinions of independent real estate experts. Leasehold improvements relating to the vacated buildings were written off, as it was determined that these items would have no future economic benefit to the Company and have been abandoned.

Accounting for restructuring activities, as compared to regular operating cost management activities, requires an evaluation of formally committed and approved plans. Restructuring activities have comparatively greater strategic significance and materiality and may involve exit activities, whereas regular cost containment activities are more tactical in nature and are rarely characterized by formal and integrated action plans or exiting a particular product, facility, or service.

The following table summarizes restructuring and asset impairment charges (recoveries) during fiscal years 2010, 2009, and 2008 for each restructuring Plan:

	Year Ended		
	June 27, 2010	June 28, 2009	June 29, 2008
	(in thousands)		
June 2008 Plan	$ (2,217)	$19,016	$18,976
December 2008 Plan	92	17,849	—
March 2009 Plan	20,891	28,641	—
Total restructuring and asset impairment charges incurred under restructuring plans	$ 18,766	$65,506	$ 18,976

The amounts in the table above were reported in the Company's consolidated statement of operations for fiscal years ended 2010, 2009, and 2008 as follows:

	Year Ended		
	June 27, 2010	June 28, 2009	June 29, 2008
	(in thousands)		
Cost of goods sold	$ (2,175)	$20,993	$12,610
Operating expense	20,941	44,513	6,366
Total restructuring and asset impairment charges incurred under restructuring plans	$ 18,766	$65,506	$ 18,976

In addition to charges incurred under specific restructuring plans, as detailed in the above tables, during fiscal year 2010 the Company incurred an additional $6.0 million of asset impairment charges related to production efficiencies and shifts in product demands. Of the total $6.0 million, $5.6 million was recorded in cost of sales and $0.4 million was recorded in operating expenses.

June 2008 Plan

During the June 2008 quarter, the Company incurred restructuring expenses and asset impairment charges related to the integration of SEZ and overall streamlining of the Company's combined Clean Product Group ("June 2008 Plan"). Restructuring and asset impairment charges during fiscal years 2010, 2009, and 2008 under the June 2008 Plan were as follows:

	Year Ended		
	June 27, 2010	June 28, 2009	June 29, 2008
	(in thousands)		
Severance and benefits	$ (42)	$12,554	$ 5,513
Facilities	—	—	899
Abandoned assets	—	3,395	1,893
Inventory	(2,175)	3,067	10,671
Total restructuring and asset impairment charges	$(2,217)	$19,016	$18,976

Below is a table summarizing activity relating to the June 2008 Plan:

	Severance and Benefits	Facilities	Abandoned Assets	Inventory	Total
			(in thousands)		
Fiscal year 2008 expense	$ 5,513	$ 899	$ 1,893	$ 10,671	$ 18,976
Cash payments	(927)	—	—	—	(927)
Non-cash charges	—	—	(1,893)	(10,671)	(12,564)
Balance at June 29, 2008	4,586	899	—	—	5,485
Fiscal year 2009 expense	12,554	—	3,395	3,067	19,016
Cash payments	(13,155)	(873)	—	—	(14,028)
Non-cash charges	(3,418)	—	(3,395)	(3,067)	(9,880)
Balance at June 28, 2009	567	26	—	—	593
Fiscal year 2010 expense	(42)	—	—	(2,175)	(2,217)
Cash payments	(525)	(26)	—	—	(551)
Non-cash charges	—	—	—	2,175	2,175
Balance at June 27, 2010	$ —	$ —	$ —	$ —	$ —

Total charges incurred as of June 27, 2010 under the June 2008 Plan were $35.8 million.

December 2008 Plan

During the December 2008 quarter, the Company incurred restructuring expenses and asset impairment charges designed to better align the Company's cost structure with its business opportunities in consideration of market and economic uncertainties ("December 2008 Plan"). There were no charges under this plan prior to fiscal year 2009. Restructuring and asset impairment charges during fiscal years 2010 and 2009 under the December 2008 Plan were as follows:

	Year Ended	
	June 27, 2010	June 28, 2009
	(in thousands)	
Severance and benefits	$92	$16,412
Facilities	—	618
Inventory	—	819
Total restructuring and asset impairment charges	$92	$ 17,849

Below is a table summarizing activity relating to the December 2008 Plan:

	Severance and Benefits	Facilities	Inventory	Total
	(in thousands)			
Fiscal year 2009 expense	$ 16,412	$ 618	$ 819	$ 17,849
Cash payments	(15,728)	—	—	(15,728)
Non-cash charges	—	(618)	(819)	(1,437)
Balance at June 28, 2009	684	—	—	684
Fiscal year 2010 expense	92	—	—	92
Cash payments	(497)	—	—	(497)
Balance at June 27, 2010	$ 279	$ —	$ —	$ 279

Total charges incurred as of June 27, 2010 under the December 2008 Plan were $17.9 million. The severance and benefits-related balances are anticipated to be paid by the end of fiscal year 2011.

March 2009 Plan

During the March 2009 quarter, the Company incurred restructuring expenses and asset impairment charges designed to align the Company's cost structure with its outlook for the current economic environment and future business opportunities ("March 2009 Plan"). There were no charges under this plan prior to fiscal year 2009. Restructuring and asset impairment charges during fiscal years 2010 and 2009 under the March 2009 Plan were as follows:

	Year Ended	
	June 27, 2010	June 28, 2009
	(in thousands)	
Severance and benefits	$ 472	$23,038
Facilities	19,832	2,265
Abandoned assets	587	3,008
Inventory	—	330
Total restructuring and asset impairment charges	$20,891	$28,641

Below is a table summarizing activity relating to the March 2009 Plan:

	Severance and Benefits	Facilities	Abandoned Assets	Inventory	Total
	(in thousands)				
Fiscal year 2009 expense	$ 23,038	$ 2,265	$ 3,008	$ 330	$ 28,641
Cash payments	(18,647)	(1,828)	—	—	(20,475)
Non-cash charges	(466)	—	(3,008)	(330)	(3,804)
Balance at June 28, 2009	3,925	437	—	—	4,362
Fiscal year 2010 expense	472	19,832	587	—	20,891
Cash payments	(4,132)	(3,417)	—	—	(7,549)
Non-cash charges	—	—	(587)	—	(587)
Balance at June 27, 2010	$ 265	$16,852	$ —	$ —	$ 17,117

Total charges incurred as of June 27, 2010 under the March 2009 Plan were $49.5 million. The severance and benefits-related balances are anticipated to be paid by the end of fiscal year 2011. The facilities balance consists primarily of lease payments, net of sublease income, on vacated buildings and is expected to be paid by the end of fiscal year 2015.

Note 19: Stock Repurchase Program

On September 8, 2008, the Company announced that its Board of Directors had authorized the repurchase of up to $250 million of Company common stock from the public market or in private purchases, using the Company's available cash. While the repurchase program does not have a defined termination date, it may be suspended or discontinued at any time.

The Company temporarily suspended repurchases under the program during the December 2008 quarter. Subsequently on February 2, 2010, the Board of Directors authorized the resumption of the repurchase program. Repurchases were expected to be made only in the amounts necessary to offset dilution resulting from the Company's equity compensation plans.

Repurchases under the repurchase program were as follows during the periods indicated (in thousands, except per-share data):

Period	Total Number of Shares Repurchased	Total Cost of Repurchase	Average Price Paid Per Share	Amount Available Under Repurchase Program
		(in thousands, except per share data)		
Quarter ended September 27, 2009	—	$ —	$ —	$226,942
Quarter ended December 27, 2009	—	$ —	$ —	$226,942
Quarter ended March 28, 2010	2,000	$68,674	$34.34	$158,268
Quarter ended June 27, 2010	697	$27,575	$39.56	$130,693

In addition to shares repurchased under Board authorized repurchase programs shown above, during the twelve months ended June 27, 2010 the Company withheld 285,000 shares through net share settlements to cover tax withholding obligations upon the vesting of restricted stock unit awards under the Company's equity compensation plans.

Note 20: Legal Proceedings

From time to time, the Company has received notices from third parties alleging infringement of such parties' patent or other intellectual property rights by the Company's products. In such cases it is the Company's policy to defend the claims, or if considered appropriate, negotiate licenses on commercially reasonable terms. However, no assurance can be given that the Company will be able in the future to negotiate necessary licenses on commercially reasonable terms, or at all, or that any litigation resulting from such claims would not have a material adverse effect on the Company's consolidated financial position or operating results.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Lam Research Corporation

We have audited the accompanying consolidated balance sheets of Lam Research Corporation as of June 27, 2010 and June 28, 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended June 27, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lam Research Corporation at June 27, 2010 and June 28, 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 27, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the Notes to the Consolidated Financial Statements, under the heading Income Taxes, Lam Research Corporation changed its method of accounting for income tax uncertainties in fiscal year 2008.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Lam Research Corporation's internal control over financial reporting as of June 27, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 20, 2010 expressed an unqualified opinion thereon.

Ernst & Young LLP

San Jose, California
August 20, 2010

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Lam Research Corporation

We have audited Lam Research Corporation's internal control over financial reporting as of June 27, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Lam Research Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Lam Research Corporation maintained, in all material respects, effective internal control over financial reporting as of June 27, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Lam Research Corporation as of June 27, 2010 and June 28, 2009, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended June 27, 2010 of Lam Research Corporation and our report dated August 20, 2010 expressed an unqualified opinion thereon.

Ernst & Young LLP

San Jose, California
August 20, 2010

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

LAM RESEARCH CORPORATION

By /s/ Stephen G. Newberry

Stephen G. Newberry,
President and Chief Executive Officer

Dated: August 20, 2010

POWER OF ATTORNEY AND SIGNATURES

By signing this Annual Report on Form 10-K below, I hereby appoint each of Stephen G. Newberry and Ernest E. Maddock, jointly and severally, as my attorney-in-fact to sign all amendments to this Form 10-K on my behalf, and to file this Form 10-K (including all exhibits and other related documents) with the Securities and Exchange Commission. I authorize each of my attorneys-in-fact to (1) appoint a substitute attorney-in-fact for himself and (2) perform any actions that he believes are necessary or appropriate to carry out the intention and purpose of this Power of Attorney. I ratify and confirm all lawful actions taken directly or indirectly by my attorneys-in-fact and by any properly appointed substitute attorneys-in-fact.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
Principal Executive Officer		
/s/ Stephen G. Newberry Stephen G. Newberry	President and Chief Executive Officer, Director	August 20, 2010
Principal Financial Officer and Principal Accounting Officer		
/s/ Ernest E. Maddock Ernest E. Maddock	Senior Vice President, Chief Financial Officer, and Chief Accounting Officer	August 20, 2010
Other Directors		
/s/ James W. Bagley James W. Bagley	Executive Chairman	August 20, 2010
/s/ David G. Arscott David G. Arscott	Director	August 20, 2010
/s/ Robert M. Berdahl Robert M. Berdahl	Director	August 20, 2010
/s/ Richard J. Elkus, Jr. Richard J. Elkus, Jr.	Director	August 20, 2010
/s/ Grant M. Inman Grant M. Inman	Director	August 20, 2010
/s/ Catherine P. Lego Catherine P. Lego	Director	August 20, 2010

LAM RESEARCH CORPORATION

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Deductions (Describe) (1)	Balance at End of Period
	(in thousands)			
YEAR ENDED JUNE 27, 2010				
Deducted from asset accounts:				
Allowance for doubtful accounts	$10,719,000	$ 45,000	$155,000	$10,609,000
YEAR ENDED JUNE 28, 2009				
Deducted from asset accounts:				
Allowance for doubtful accounts	$ 4,102,000	$6,794,000	$177,000	$10,719,000
YEAR ENDED JUNE 29, 2008				
Deducted from asset accounts:				
Allowance for doubtful accounts	$ 3,851,000	$ 255,000	$ 4,000	$ 4,102,000

(1) $0.2 million of specific customer accounts were written-off in each of fiscal years 2010 and 2009, and less than $0.1 million was written-off in fiscal 2008.

LAM RESEARCH CORPORATION

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED JUNE 27, 2010
EXHIBIT INDEX

Exhibit	Description
3.1(4)	Certificate of Incorporation of the Registrant, dated September 7, 1989; as amended by the Agreement and Plan of Merger, Dated February 28, 1990; the Certificate of Amendment dated October 28, 1993; the Certificate of Ownership and Merger dated December 15, 1994; the Certificate of Ownership and Merger dated June 25, 1999 and the Certificate of Amendment effective as of March 7, 2000; and the Certificate of Amendment effective as of November 5, 2009.
3.2(19)	Bylaws of the Registrant, as amended, dated November 5, 2009.
3.3(4)	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock dated January 27, 1997.
4.4(2)*	Amended 1991 Stock Option Plan and Forms of Stock Option Agreements.
4.8(7)*	Amended and restated 1997 Stock Incentive Plan.
4.11(3)*	Amended and restated 1996 Performance-Based Restricted Stock Plan.
4.12(6)*	Amended and restated 1999 Stock Option Plan.
4.13*	Lam Research Corporation 1999 Employee Stock Purchase Plan, as amended.
4.14*	Lam Research Corporation 2004 Executive Incentive Plan, as amended.
4.15(9)*	Lam Research Corporation 2007 Stock Incentive Plan, as amended.
10.3(1)*	Form of Indemnification Agreement.
10.99(5)*	Form of Nonstatutory Stock Option Agreement — Lam Research Corporation 1997 Stock Incentive Plan.
10.102(8)	Form of Restricted Stock Unit Award Agreement (U.S. Agreement A) — Lam Research Corporation 1997 Stock Incentive Plan.
10.103(8)	Form of Restricted Stock Unit Award Agreement (non-U.S. Agreement I-A) — Lam Research Corporation 1997 Stock Incentive Plan.
10.106(11)*	Form of Restricted Stock Unit Award Agreement (U.S. Agreement) — Lam Research Corporation 2007 Stock Incentive Plan.
10.107(12)	Form of Restricted Stock Unit Award Agreement — Outside Directors (U.S. Agreement) — Lam Research Corporation 2007 Stock Incentive Plan.
10.108(12)	Form of Restricted Stock Unit Award Agreement — Outside Directors (non-U.S. Agreement) — Lam Research Corporation 2007 Stock Incentive Plan.
10.111(13)	Credit Agreement dated as of March 3, 2008 among Lam Research Corporation, as the Borrower, ABN Amro Bank N.V., as Administrative Agent, and the other Lenders Party thereto.
10.112(13)	Unconditional Guaranty dated as of March 3, 2008 by Bullen Semiconductor Corporation to ABN AMRO Bank N.V.
10.113(13)	Security Agreement dated as of March 3, 2008 between Lam Research Corporation and ABN AMRO Bank N.V.
10.114(13)	Security Agreement dated as of March 3, 2008 between Bullen Semiconductor Corporation and ABN AMRO Bank N.V.
10.115(13)	Pledge Agreement dated as of March 3, 2008 among Lam Research Corporation and ABN AMRO Bank N.V.

Exhibit	Description
10.116(10)*	Employment Agreement between James W. Bagley and Lam Research Corporation, dated December 11, 2006.
10.117(14)	Lease Agreement (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.118(14)	Pledge Agreement (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.119(14)	Closing Certificate and Agreement (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.120(14)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.121(14)	Lease Agreement (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.122(14)	Pledge Agreement (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.123(14)	Closing Certificate and Agreement (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.124(14)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.125(14)	Lease Agreement (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.126(14)	Pledge Agreement (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.127(14)	Closing Certificate and Agreement (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.128(14)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.129(14)	Lease Agreement (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.130(14)	Pledge Agreement (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.131(14)	Closing Certificate and Agreement (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.132(14)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.133(14)	Lease Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.134(14)	Pledge Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.135(14)	Closing Certificate and Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.

Exhibit	Description
10.136(14)	Agreement Regarding Purchase and Remarketing Options (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.137(14)	Construction Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.138(14)	Lease Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.139(14)	Pledge Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.140(14)	Closing Certificate and Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.141(14)	Agreement Regarding Purchase and Remarketing Options (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.142(14)	Construction Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.143(15)	First Modification Agreement (Fremont Buildings #1, #2, #3, #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated April 3, 2008.
10.144(15)	First Modification Agreement (Livermore Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated April 3, 2008.
10.145(15)	Second Modification Agreement (Livermore Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated July 9, 2008.
10.146(15)	First Modification Agreement (Livermore Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated July 9, 2008.
10.147(16)	First Amendment to Credit Agreement between Lam Research Corporation, ABN AMRO B.V. and the Lenders party thereto, dated September 29, 2008.
10.148(17)*	Form of Indemnification Agreement.
10.149(17)*	Reformation of Stock Option Agreement.
10.150(18)*	Stock Option Amendment and Special Bonus Agreement.
10.151(20)*	Employment Agreement with Stephen G. Newberry, dated July 1, 2009.
10.152(20)*	Employment Agreement with Martin B. Anstice, dated July 1, 2009.
10.153(20)*	Form of Change in Control Agreement.
10.154(20)*	Employment Agreement with Ernest Maddock, dated July 1, 2009.
21	Subsidiaries of the Registrant.
23.1	Consent of Independent Registered Public Accounting Firm.
24	Power of Attorney (See Signature page)
31.1	Rule 13a — 14(a) / 15d — 14(a) Certification (Principal Executive Officer)
31.2	Rule 13a — 14(a) / 15d — 14(a) Certification (Principal Financial Officer)
32.1	Section 1350 Certification — (Principal Executive Officer)
32.2	Section 1350 Certification — (Principal Financial Officer)

(1) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 3, 1988.

(2) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 1995.

(3) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 26, 1999.

(4) Incorporated by reference to Registrant's Amendment No. 2 to its Annual Report on Form 10K/A for the fiscal year ended June 25, 2000, and Registrant's Current Report on Form 8-K dated November 5, 2009.

(5) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 27, 2004.

(6) Incorporated by reference to Registrant's Registration Statement on Form S-8 (No. 33-127936) filed with the Securities and Exchange Commission on August 28, 2005.

(7) Incorporated by reference to Registrant's Current Report on Form 8-K dated November 8, 2005.

(8) Incorporated by reference to Registrant's Current Report on Form 8-K dated February 6, 2006.

(9) Incorporated by reference to Registrant's Registration Statement of Form S-8 (No. 333-138545) filed with the Securities and Exchange Commission on November 9, 2006.

(10) Incorporated by reference to Registrant's Current Report on Form 8-K dated December 15, 2006. This exhibit was originally filed with the 8-K as Exhibit Number 10.1.

(11) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 24, 2006.

(12) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 25, 2007.

(13) Incorporated by reference to Registrant's Current Report on Form 8-K dated March 7, 2008.

(14) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 24, 2007.

(15) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 29, 2008.

(16) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 28, 2008.

(17) Incorporated by reference to Registrant's Current Report on Form 8-K dated November 13, 2008.

(18) Incorporated by reference to Registrant's Current Report on Form 8-K dated May 8, 2008.

(19) Incorporated by reference to Registrant's Current Report on Form 8-K dated November 5, 2009.

(20) Incorporated by reference to Registrant's Current Report on Form 8-K dated July 31, 200

* Indicates management contract or compensatory plan or arrangement in which executive officers of the Company are eligible to participate.

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EXHIBIT 4.13

LAM RESEARCH CORPORATION
1999 EMPLOYEE STOCK PURCHASE PLAN

Amended and Restated Effective as of May 20, 2010

1. Purpose.

This Amended and Restated Lam Research Corporation 1999 Employee Stock Purchase Plan ("Plan") is amended and restated as of May 20, 2010. The Plan is intended to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions. The Company's intention is to have the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code (the "423(b) Plan"), although the Company makes no undertaking or representation to maintain such qualification. The provisions of the 423(b) Plan, accordingly, will be construed so as to extend and limit Plan participation in a uniform and nondiscriminatory basis consistent with the requirements of Section 423(b) of the Code. In addition, this Plan document authorizes the grant of rights to purchase stock pursuant to rules, procedures or sub-plans adopted by the Board or Administrator that are designed to achieve tax, securities law or other Company compliance objectives in particular locations outside the United States.

All grants made to participants outside of the United States shall be deemed to be made under a Non-U.S. Sub-Plan, unless otherwise designated at the time of grant.

2. Definitions.

(a) ***"Administrator"*** means the Board, the Compensation Committee of the Board or any committee the Board may subsequently appoint to administer the Plan pursuant to Section 14 hereof, if one is appointed. If at any time or to any extent the Board shall not administer the Plan, then the functions of the Board specified in the Plan shall be exercised by the Administrator. The VP of Human Resources shall administer the Non-U.S. Sub-Plans of the Plan and shall be the "Administrator" for such purposes.

(b) ***"Annual Increase"*** means the number of shares of Common Stock that, pursuant to Section 13, may annually be added to the number of shares issuable under the Plan.

(c) ***"Board"*** means the Board of Directors of the Company.

(d) ***"Code"*** means the Internal Revenue Code of 1986, as amended.

(e) ***"Common Stock"*** means the Common Stock of the Company.

(f) ***"Company"*** means Lam Research Corporation, a Delaware corporation.

(g) ***"Compensation"*** means all regular, straight-time gross earnings, exclusive of payments for overtime, shift premium, incentive compensation, incentive payments, bonuses, commissions, or other compensation.

(h) ***"Continuous Status as an Employee"*** means the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of a leave of absence agreed to in writing by the Company, provided that such leave is for a period of not more than 90 days or re-employment upon the expiration of such leave is guaranteed by contract or statute.

(i) ***"Designated Subsidiaries"*** means the Subsidiaries that have been designated by the Board or Administrator from time to time in its sole discretion as eligible to participate in this Plan.

(j) ***"Employee"*** means any person, including an officer or an employee member of the Board of Directors, who is customarily employed for at least 20 hours per week by the Company or one of its Designated Subsidiaries. For purposes of the 423(b) Plan, whether an individual qualifies as an Employee shall be determined by the Administrator, in its sole discretion, by reference to Section 3401(c) of the Code and the regulations promulgated thereunder. Unless the Administrator makes a contrary determination, the Employees of the Company shall, for all purposes of the 423(b) Plan, be those individuals who satisfy the customary employment criteria set forth above and are carried as employees by the Company or a Designated Subsidiary for regular payroll purposes.

For purposes of a Non U.S. Sub-Plan, the Administrator may determine that Employees are eligible to participate even if they are employed for less than twenty (20) hours per week if, in the Administrator's sole judgment, applicable laws require such a determination.

(k) ***"Exercise Date"*** means such business days during each Offering Period of this Plan as may be identified by the Administrator pursuant to Section 8 of this Plan.

(l) ***"Interim Offering Date"*** means the first business day following an Exercise Date other than the last Exercise Date of an Offering Period.

(m) ***"Maximum Share Amount"*** means the maximum number of shares of Common Stock that a Participant can purchase during any single Offering Period as set forth in Section 3(d)(ii) of this Plan.

(n) ***"Non-U.S. Sub-Plan"*** shall mean a sub-plan of the Plan that does not necessarily meet the requirements set forth in Section 423(b) of the Code, as amended.

(o) ***"Offering Date"*** means the first business day of an Offering Period.

(p) ***"Offering Period"*** means a period established by the Administrator pursuant to Section 4 of this Plan during which payroll deductions are accumulated from Participants and applied to the purchase of Common Stock.

(q) ***"Participant"*** means an Employee who has elected to participate in this Plan pursuant to Section 5 hereof.

(r) ***"Plan"*** means this Amended and Restated Lam Research Corporation 1999 Employee Stock Purchase Plan, including both the 423(b) Plan and any Non-U.S. Sub-Plan unless otherwise indicated.

(s) ***"Purchase Right"*** means a right to purchase Common Stock granted pursuant to Section 7 of this Plan.

(t) ***"Subsidiary"*** means a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

(u) ***"423(b) Plan"*** means an employee stock purchase plan that is designed to meet the requirements set forth in Section 423(b) of the Code, as amended. The provisions of this 423(b) Plan should be construed, administered and enforced in accordance with Section 423(b) of the Code.

3. Eligibility; Accrual and Purchase Limits.

(a) ***Regular Participation.*** Any person who is, or will be, an Employee on the Offering Date of a given Offering Period shall be eligible to participate in this Plan during such Offering Period, subject to the requirements of Section 5(a) of this Plan.

(b) ***Interim Participation.*** Any person who becomes an Employee after the Offering Date of an Offering Period and before an Interim Offering Date shall be eligible to participate in this Plan during such Offering Period, but only on and beginning with the first Interim Offering Date on or before which such person becomes an Employee, and subject to the requirements of Section 5(a) of this Plan.

(c) ***Exclusion of Five Percent Stockholders.*** Notwithstanding paragraphs (a) and (b) of this Section 3, an Employee shall not be eligible to participate in this Plan during an Offering Period to the extent that immediately after the grant of a Purchase Right on an Offering Date or Interim Offering Date, the Employee (or any other person whose stock would be attributed to the Employee under Section 424(d) of the Code) would own stock and/or hold outstanding purchase rights to purchase stock possessing five percent or more of the total combined voting power or value of all classes of stock of the Company or of any Subsidiary.

(d) ***Accrual and Purchase Limits.*** Notwithstanding any other provisions of this Plan or any subscription agreement or other offering documents, no Participant may (i) accrue rights to purchase stock under all employee stock purchase plans of the Company and its Subsidiaries at a rate that exceeds $25,000 of fair market value of such stock (determined at the date of grant of those purchase rights) for each calendar year in which the purchase rights would be outstanding at any time; or (ii) purchase more than 10,000 shares of the Company's Common Stock during any Offering Period. Notwithstanding the share limit described in clause 3(d)(ii), the Administrator may designate an alternative shares limit (other than zero) in its sole discretion, prior to the commencement of any Offering Period to which the alternative limit applies. If the Administrator establishes an alternative limit, all participants shall be notified of the alternative limit prior to the commencement of the Offering Period to which the limit first applies. Any alternative limit set by the Administrator shall continue to apply with respect to all succeeding Exercise Dates and Offering Periods unless revised by the Administrator as provided in this clause 3(d)(ii).

4. Offering Periods.

The duration of each Offering Period shall be determined by the Administrator, provided that an Offering Period shall be no shorter than 3 months and no longer than 24 months (measured from the first business day of the first month to the last business day of the last month) and succeeding Offering Periods shall be the same duration unless otherwise determined by the Administrator pursuant to this Section. Unless otherwise determined by the Administrator:

(a) a new Offering Period shall begin on the first business day after the last Exercise Date of an Offering Period;

(b) a new Offering Period shall begin, and the old Offering Period shall terminate, on the first business day after an Exercise Date (other than the last Exercise Date of an Offering Period) if the fair market value (as defined in Section 7(b)(i) of this Plan) of a share of Common Stock is less than the fair market value of a share of Common Stock on the Offering Date of the Offering Period; and

(c) an Offering Period shall terminate on the date that there are no Participants enrolled in it.

5. Participation.

(a) An Employee may become a Participant in this Plan by completing a subscription agreement, in such form or forms as the Administrator may approve from time to time, and filing it with the Company's payroll office within 15 days before the applicable Offering Date or Interim Offering Date, unless another time for filing the subscription agreement is set by the Administrator for all Employees with respect to a given Offering Period. The subscription agreement shall authorize payroll deductions pursuant to this Plan and shall have such other terms as the Administrator may specify from time to time.

(b) At the end of an Offering Period, each Participant in the Offering Period who remains an Employee shall be automatically enrolled in the next succeeding Offering Period (a "Re-enrollment") unless, in a manner and at a time specified by the Administrator, but in no event later than the day before the Offering Date of such succeeding Offering Period, the Participant notifies the Administrator in writing that the Participant does not wish to be re-enrolled. Re-enrollment shall be at the withholding percentage specified in the Participant's most recent subscription agreement unless the Participant changes that percentage by timely written notice. No Participant shall be automatically re-enrolled whose participation has terminated by operation of Section 10 of this Plan.

(c) If an Offering Period commences pursuant to Section 4(b) of this Plan, each Employee on the Offering Date of that Offering Period shall automatically become a Participant in the commencing Offering Period. Participation shall be at the withholding percentage specified in the Participant's most recent subscription agreement, unless the Participant notice changes that percentage by timely written notice. If the Participant has no subscription agreement on file, Participation shall be at a 0% withholding rate until changed by the Participant. No Participant shall be automatically re-enrolled whose participation has terminated by operation of Section 11 of this Plan.

6. Payroll Deductions.

(a) Each Participant shall have withheld a percentage of his or her Compensation received during an Offering Period. Withholding shall be in whole percentages, up to a maximum (not to exceed 15%) established by the Administrator from time to time, as specified by the Participant in his or her subscription agreement. Payroll deductions for a Participant during an Offering Period shall begin with the first payroll following the Offering Date or Interim Offering Date and shall end on the last Exercise Date of the Offering Period, unless sooner terminated by the Participant as provided in Section 11 of this Plan.

(b) All payroll deductions made by a Participant shall be credited to the Participant's account under this Plan. A Participant may not make any additional payments into such account.

(c) A Participant may change the rate of his or her payroll deductions during an Offering Period by filing with the Administrator a new subscription agreement authorizing the change. The change shall take effect 15 days after the Administrator's receipt of the new subscription agreement, except that increases in rate shall take effect on the day after the first Exercise Date on or after the 15th day.

7. Purchase Rights.

(a) ***Grant of Purchase Rights.*** On the Offering Date, or (if applicable) Interim Offering Date of each Offering Period, the Participant shall be granted a Purchase Right to purchase (at the per-share price) during the Offering Period up to the lesser of (a) the number of shares of Common Stock determined by dividing (i) $25,000 multiplied by the number of (whole or part) calendar years in the Offering Period by (ii) the fair market value of a share of Common Stock on the Offering Date or Interim Offering Date; or (b) the Maximum Share Amount.

(b) ***Terms of Purchase Rights.*** Except as otherwise determined by the Administrator, each Purchase Right shall have the following terms:

(i) The per-share price of the shares subject to a Purchase Right shall be 85% of the lower of the fair market values of a share of Common Stock on (a) the Offering Date, or Interim Offering Date, on which the Purchase Right was granted and (b) the Exercise Date. The fair market value of the Common Stock on a given date shall be the closing price as reported in the Wall Street Journal; provided, however, that if there is no public trading of the Common Stock on that date, then fair market value shall be determined by the Administrator in its discretion.

(ii) Payment for shares purchased by exercise of Purchase Rights shall be made only through payroll deductions in accordance with Section 6 of this Plan.

(iii) Upon purchase or disposition of shares acquired by exercise of a Purchase Right, the Participant shall pay, or make provision adequate to the Administrator for payment of, all tax (and similar) withholdings that the Administrator determines, in its discretion, are required due to the acquisition or disposition, including without limitation any such withholding that the Administrator determines in its discretion is necessary to allow the Company and its Subsidiaries to claim tax deductions or other benefits in connection with the acquisition or disposition.

(iv) During his or her lifetime, a Participant's Purchase Right is exercisable only by the Participant.

(v) The Purchase Rights will in all respects be subject to the terms and conditions of this Plan, as interpreted by the Administrator from time to time.

8. Exercise Dates; Purchase of Shares; Refund of Excess Cash.

(a) The Administrator shall establish one or more Exercise Dates for each Offering Period.

(b) Each Participant's Purchase Right shall be exercised automatically on each Exercise Date during the Offering Period to purchase the maximum number of full shares up to the Maximum Share Amount at the applicable price using the Participant's accumulated payroll deductions.

(c) The shares purchased upon exercise of a Purchase Right shall be deemed to be transferred to the Participant on the Exercise Date. A Participant will have no interest or voting right in shares covered by a Purchase Right until the Purchase Right has been exercised.

(d) Any cash remaining in a Participant's payroll deduction account after the purchase of shares on an Exercise Date shall be carried forward in that account for application on the next Exercise Date; provided that at the termination of an Offering Period, any such cash shall be promptly refunded returned to the Participant.

9. Limitations on Aggregate Shares to be Purchased.

If the number of shares to be purchased on an Exercise Date by all Participants in this Plan exceeds the number of shares then available for issuance under this Plan, then the Company shall make a pro rata allocation of the remaining shares in as uniform a manner as shall be reasonably practicable and as the Administrator shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of shares to be purchased under a participant's option to each participant affected.

10. Registration and Delivery of Share Certificates.

(a) Shares purchased by a Participant under this Plan will be registered in the name of the Participant, or in the name of the Participant and his or her spouse, or in the name of the Participant and joint tenant(s) (with right of survivorship), as designated by the Participant.

(b) As soon as administratively feasible after each Exercise Date, the Company shall deliver to the Participant a certificate representing the shares purchased upon exercise of a Purchase Right. If approved by the Administrator in its discretion, the Company may instead (i) deliver a certificate (or equivalent) to a broker for crediting to the Participant's account or (ii) make a notation in the Participant's favor of non-certificated shares on the Company's stock records.

11. Withdrawal; Termination of Employment.

(a) A Participant may withdraw all, but not less than all, of the payroll deductions credited to his account under this Plan at any time before an Exercise Date by giving written notice to the Administrator in a form the Administrator prescribes from time to time. The Participant's Purchase Right will automatically terminate on the date of receipt of the notice, all payroll deductions credited to the Participant's account will be refunded promptly thereafter, and no further payroll deductions will be made during the Offering Period.

(b) Upon termination of a Participant's Continuous Status as an Employee for any reason, including retirement or death, the payroll deductions credited to the Participant's account will be promptly refunded to the Participant or, in the case of death, to the person or persons entitled thereto under Section 15 of this Plan, and the Participant's Purchase Right will automatically terminate.

(c) If a Participant fails to remain in Continuous Status as an Employee during an Offering Period, the Participant will be deemed to have withdrawn from this Plan, the payroll deductions credited to the Participant's account will be promptly refunded, and the Participant's Purchase Right shall terminate.

(d) A Participant's withdrawal from an offering will not affect the Participant's eligibility to participate in a succeeding Offering Period or in any similar plan that may be adopted by the Company.

12. Use of Funds; No Interest.

Amounts withheld from Participants' Compensation under this Plan shall constitute general funds of the Company and may be used for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions. No interest shall accrue on the payroll deductions of a Participant in this Plan.

13. Number of Shares Reserved.

(a) Subject to adjustment as provided in Section 18, the maximum aggregate number of shares of Common Stock which shall be made available for sale under the Plan shall be 9,000,000[1] shares herein, consisting of the following:

(i) 3,000,000[1] shares may be issued at any time before termination of this Plan from the number of authorized and previously unissued shares of Common Stock of the Company; and

(ii) an additional share (up to a total of 6,000,000[1] additional shares) may be issued for each share of Common Stock that the Company redeems, in public-market or private purchases, and designates for this purpose after the date of Board approval of this Plan.

(b) Subject to adjustment as provided in Section 18, the number of shares that may be issued, on a one-for-one basis, for each share of Common Stock that the Company redeems, in public-market or private purchases, and designates for this purpose shall be increased on the first business day of each calendar year commencing with 2004 by a number of shares equal to the lesser of (i) 2,000,000[2] , (ii) one and one-half percent (1.5%) of the number of shares of all classes of common stock of the Company outstanding on the first business day of such calendar year, or (iii) a lesser number determined by the Administrator, (the "Annual Increase"). The Administrator may, in its discretion, transfer shares reserved for issuance under this Plan into a plan of similar terms, as approved by the Board, providing for the purchase of shares of Common Stock by employees of Subsidiaries designated by the Board that do not (or do not thereafter) participate in this plan. Such plan may, without limitation, provide for variances from the terms of this Plan to take into account special circumstances (such as foreign legal restrictions) affecting the employees of such designated Subsidiaries.

14. Administration.

This Plan shall be administered by the Administrator. The administration, interpretation, and application of this Plan by the Administrator shall be final, conclusive, and binding upon all persons. Neither Members of the Board nor the Administrator shall be liable for any action or determination taken or made in good faith with respect to the Plan, or any shares purchased or issued or Purchase Right exercised thereunder . The Administrator may also adopt rules, procedures or sub-plans applicable to particular Subsidiaries or locations. Any such sub-plans may be designed to be outside the scope of Section 423(b) of the Code. The rules of such sub-plans may take precedence over other provisions of this Plan, but unless otherwise superseded by the specific terms of such sub-plan, the provisions of this Plan shall govern the operation of such sub-plan. To the extent inconsistent with the requirements of Section 423(b), such sub-plan and rights granted thereunder shall not be considered to comply with Section 423(b) of the Code.

15. Designation of Beneficiary.

(a) A Participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the Participant's account under this Plan in the event of the Participant's death.

(b) A designation of beneficiary may be changed by the Participant at any time by written notice. In the event of the death of a Participant, and in the absence of a beneficiary validly designated under this Plan who is living at the time of the Participant's death, the Administrator shall deliver such shares and/or cash to the executor or administrator of the Participant's estate, or if no such executor or administrator has been appointed (to the Administrator's knowledge), the Administrator, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant or, if no spouse, dependent, or relative is known to the Administrator, then to such other person as the Administrator may designate.

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1 Number has been adjusted to account for Lam's March 2000 three-for-one stock split.

2 Provision added to Plan pursuant to November 2003 amendment and restatement. Therefore, no adjustment for March 2000 stock split required. This number is, however, subject to adjustment upon future changes to capitalization pursuant to Section 18.

16. Transferability.

Neither payroll deductions credited to a Participant's account nor any rights with regard to the exercise of a Purchase Right or to receive shares under this Plan may be assigned, transferred, pledged, or otherwise disposed of in any way (other than by will, the laws of descent and distribution, or as provided in Section 15 hereof) by the Participant. Any such attempt at assignment, transfer, pledge, or other disposition shall be without effect, except that the Administrator may treat such act as an election to withdraw funds in accordance with Section 11 hereof.

17. Reports.

Individual accounts will be maintained for each Participant in this Plan. Statements of account will be given to participating Employees promptly following each Exercise Date, which statements will set forth the amounts of payroll deductions, the per share purchase price, the number of shares purchased and the remaining cash balance, if any.

18. Adjustments upon Changes in Capitalization.

(a) Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each Purchase Right under this Plan that has not yet been exercised and the number of shares of Common Stock that have been authorized for issuance under this Plan but have not yet been placed under a Purchase Right, including, but not limited to, the Annual Increase (collectively, the ***"Reserves"***), as well as the price per share of Common Stock covered by each Purchase Right under this Plan that has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company and any repurchase of shares of Common Stock pursuant to Section 13 herein shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Administrator, whose determination shall be final, binding, and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to a Purchase Right.

(b) In the event of the proposed dissolution or liquidation of the Company, the then-current Offering Period will terminate immediately before the consummation of such proposed action, unless otherwise provided by the Board or the Administrator (if the Administrator is not the Board). In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation (if stockholders of the Company own less than 50% of the total outstanding voting power in the surviving entity or a parent of the surviving entity after the merger), each Purchase Right under this Plan shall be assumed or an equivalent purchase right shall be substituted by the successor corporation or a parent or subsidiary of the successor corporation, unless the successor corporation does not agree to assume the Purchase Right or to substitute an equivalent purchase right, in which case the Administrator may, in lieu of such assumption or substitution, accelerate the exercisability of Purchase Rights, and allow Purchase Rights to be exercisable (if the Board approves) as to shares as to which the Purchase Right would not otherwise be exercisable, on terms and for a period that the Administrator determines in its discretion. To the extent that the Administrator accelerates exercisability of Purchase Rights as described above, it shall promptly so notify all Participants in writing.

(c) The Administrator may, in its discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding Purchase Right, if the Company effects one or more reorganizations, recapitalizations, rights offerings, or other increases or reductions of shares of its outstanding Common Stock, or if the Company consolidates with or merges into any other corporation.

19. Amendment or Termination.

(a) The Board may at any time terminate or amend in any manner this Plan; except, however, that no amendment may be made without prior approval of the stockholders of the Company (obtained in the manner described in paragraph 21) if it would:

(i) Increase the number of shares that may be issued under this Plan;

(ii) Change the designation of the employees (or class of employees) eligible for participation in this Plan; or

(iii) If the Company has a class of equity securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), at the time of such amendment, materially increase the benefits that may accrue to Participants under this Plan.

If any amendment requiring stockholder approval under this paragraph 19 of this Plan is made after the first registration of any class of equity securities by the Company under Section 12 of the Exchange Act, such stockholder approval shall be solicited as described in paragraph 21 of this Plan.

(b) The Board may elect to terminate any or all outstanding Purchase Rights at any time, except to the extent that exercisability of such Purchase Rights has been accelerated pursuant to Section 18(b) hereof. If this Plan is terminated, the Board may also elect to terminate Purchase Rights upon completion of the next purchase of shares on the next Exercise Date or to permit Purchase Rights to expire in accordance with their terms (with participation to continue through such expiration dates). If Purchase Rights are terminated before expiration, any funds contributed to this Plan that have not been used to purchase shares shall be refunded to Participants as soon as administratively feasible.

20. Notices.

All notices or other communications by a Participant to the Company or the Administrator under or in connection with this Plan shall be deemed to have been duly given when received in the form specified by the Administrator at the location, or by the person, designated by the Administrator for the receipt thereof.

21. Stockholder Approval.

(a) Any required approval of the stockholders of the Company pursuant to paragraph 19(a) of this Plan shall be solicited substantially in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder.

(b) If any required approval by the stockholders of this Plan itself or of any amendment thereto is solicited at any time otherwise than in the manner described in Section 21(a) hereof, then the Company shall, at or before the first annual meeting of stockholders held after the later of (i) the first registration of any class of equity securities of the Company under Section 12 of the Exchange Act or (ii) the granting of a Purchase Right hereunder to an Officer and Director after such registration, do the following:

(i) furnish in writing to the holders entitled to vote for this Plan substantially the same information that would be required (if proxies to be voted with respect to approval or disapproval of this Plan or amendment were then being solicited) by the rules and regulations in effect under Section 14(a) of the Exchange Act at the time such information is furnished; and

(ii) file with, or mail for filing to, the Securities and Exchange Commission four copies of the written information referred to in subsection (i) hereof not later than the date on which such information is first sent or given to stockholders.

22. Conditions upon Issuance of Shares.

(a) Shares shall not be issued with respect to a Purchase Right unless the exercise of such Purchase Right and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities

Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) As a condition to the exercise of a Purchase Right, the Company may require the person exercising such Purchase Right to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

23. Term of Plan.

This Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the stockholders of the Company as described in Section 21 hereof. It shall continue in effect for a term of 20 years unless sooner terminated under Section 19 hereof.

24. Additional Restrictions of Rule 16b-3.

The terms and conditions of Purchase Rights granted hereunder to, and the purchase of shares by, persons subject to Section 16 of the Securities Exchange Act of 1934 shall comply with the applicable provisions of Rule 16b-3 of such Act. This Plan shall be deemed to contain, and such Purchase Rights shall contain, and the shares issued upon exercise thereof shall be subject to, such additional conditions and restrictions as may be required by Rule 16b-3 to qualify for the maximum exemption from Section 16 of the Securities Exchange Act of 1934 with respect to Plan transactions.

EXHIBIT 4.14

LAM RESEARCH CORPORATION
2004 EXECUTIVE INCENTIVE PLAN

Amended and Restated
Effective as of May 20, 2010

The Compensation Committee (the "Compensation Committee") of the Board of Directors of Lam Research Corporation ("Company") hereby adopts this amended and restated version of the 2004 Executive Incentive Plan ("Plan"), effective as of May 20, 2010.

1. Purpose.

The purpose of the Plan is to provide performance-based incentive compensation in the form of cash payments or stock awards to executive officers and senior management of the Company and any affiliates which might subsequently adopt the Plan. The Plan is intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code ("Section 162(m)").

2. Administration.

The Plan has been established by, and shall be administered by, the Compensation Committee. The Compensation Committee is composed solely of 2 or more outside directors as defined in Section 162(m) and, therefore, qualifies as an independent compensation committee under Section 162(m).

3. Stockholder Approval.

The Plan shall initially be effective if, and only if, the Company's stockholders, by a majority of the votes considered present or represented and entitled to vote with respect to this matter, approve the material terms of the Plan, specifically, the employees eligible to receive compensation under the Plan; the business criteria on which the performance goals may be based; and the maximum amount of compensation that may be paid to any employee under the Plan in any year. No compensation or award will be paid and vested under the Plan until after this approval is obtained. To the extent necessary for the Plan to qualify as performance-based compensation under Section 162(m) or its successor under then applicable law, these material terms of the Plan shall be disclosed to and reapproved by the stockholders no later than the first stockholder meeting that occurs in the fifth year following the year in which stockholders previously approved the material terms of the Plan.

4. Participants.

For each measurement period (which may but need not be a fiscal year), the Compensation Committee will choose, in its sole discretion, those eligible employees who will participate in the Plan during that measurement period and will be eligible to receive payment under the Plan for that measurement period.

a) ***Eligible Employees.*** Persons who are eligible to participate in the Plan are all members of senior management of the Company and its affiliates. For purposes of the Plan, senior management is defined as any officer who is subject to the reporting rules of Section 16(a) of the Securities Exchange Act of 1934, or who is designated as eligible for the Plan by the Compensation Committee in its discretion.

b) ***Employment Criteria.*** In general, to participate in the Plan an eligible employee must be continuously employed by the Company or an affiliate for the entire measurement period. The foregoing notwithstanding: (i) if an otherwise eligible employee joins the Company or an affiliate during the measurement period, the Compensation Committee may, in its discretion, add the employee to the Plan for the partial measurement period, and (ii) if the employment of an otherwise eligible employee ends before the end of the measurement period because of death, disability or termination of employment (as determined in the discretion of the Compensation Committee), the employee shall be paid a pro-rata portion of the compensation, if any, that otherwise would have been payable under the Plan based upon the actual achievement of the performance goals applicable during the measurement period in which termination of employment occurs, unless the Committee determines in its sole discretion that payment is not appropriate. If a participant is on unpaid leave status for any portion of the measurement period, the Compensation Committee, in its discretion, may reduce the participant's payment on a pro-rata basis.

All determinations under the Plan, including those related to interpretation of the Plan, eligibility, or the payment or pro-ration of any payment shall be made by the Compensation Committee pursuant to the above terms, and those determinations shall be final and binding on all employees.

5. *Awards.*

The Compensation Committee shall determine the size and terms of an individual award that can be made in cash or stock. Stock awards may be made from and in such forms permitted under any stock option, equity incentive or similar plan adopted by the Company's Board of Directors and approved by its stockholders. The stock awards shall be granted and/or vested based upon the attainment of performance goals as set forth in Section 6.

6. *Business Criteria on Which Performance Goals Shall be Based.*

Payment under the Plan shall be based on the Company's attainment of performance goals based on one or more of the following business criteria: Either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit, affiliate or business segment, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Compensation Committee in the award, and may include actual, growth, or performance-to-target for: (i) cash flow, including free cash flow; (ii) earnings (including revenue, gross margin, operating profit, earnings before interest and taxes, earnings before taxes, and net earnings) or earnings per share; (iii) stock price; (iv) return on equity or average shareholders' equity; (v) total stockholder return, either actual or relative to share price or market capitalization; (vi) return on capital; (vii) return on assets or net assets; (viii) return on investment or invested capital; (ix) return on operating revenue; (x) income, net income, operating income, net operating income, operating profit, net operating profit, or operating margin (with or without regard to amortization/ impairment of goodwill); (xi) market share or applications won; (xii) operational performance, including orders, backlog, deferred revenues, revenue per employee, overhead, days sales outstanding, inventory turns, or other expense levels; (xiii) stockholder value or return relative to the moving average of the S&P 500 Index or a peer group index; (xiv) asset turns; and (xv) strategic plan development and implementation (including individually designed goals and objectives that are consistent with the participant's specific duties and responsibilities and that are designed to improve the organizational performance of the Company, an affiliate, or a specific business unit thereof and that are consistent with and derived from the strategic operating plan of the Company, an affiliate or any of their business units for the applicable performance period). The Compensation Committee may appropriately adjust any evaluation of performance under the business criteria to exclude any of the following events that occurs during a performance period: (A) asset write-downs; (B) litigation or claim judgments or settlements; (C) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; (D) accruals for reorganization and restructuring programs; and (E) any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to shareholders for the applicable year.

7. *Establishing Performance Goals.*

The Compensation Committee shall establish, for each measurement period:

a) the length of the measurement period;

b) the specific business criterion or criteria, or combination thereof, that will be used;

c) the specific performance targets that will be used for the selected business criterion or criteria;

d) any special adjustments that will be applied in calculating whether the performance targets have been met to factor out extraordinary items;

e) the formula for calculating compensation eligible for payment under the Plan in relation to the performance targets;

f) the eligible employees who will participate in the Plan for that measurement period; and

g) if applicable, the target amounts for each participant for the measurement period.

The Compensation Committee shall make these determinations in writing no later than 90 days after the start of each measurement period, on or before 25% of the measurement period has elapsed, and while the outcome is substantially uncertain. Cash awards paid to any one participant under the Plan in respect of performance goals for any twelve-month measurement period shall not exceed $15,000,000; provided however that (a) in the event a measurement period of longer or shorter duration than twelve-months, this limit will be increased or decreased, respectively, on a proportionate basis; and (b) receipt by a participant of payment until a later period of an award amount earned with respect to a measurement period, either through elective deferral by the participant or a deferral included as part of the award structure, shall not affect application of the above cash limit to the participant during the later period. Stock awards or restricted stock unit awards granted to any one participant in any one calendar year (which may vest over multiple years) under the Plan shall not exceed 300,000 shares of the Company’s common stock. The 300,000 shares shall be adjusted in the discretion of the Compensation Committee in the event of stock dividend, stock split, extraordinary cash dividend, or similar recapitalization of the Company.

If an employee joins the Company or an affiliate during the measurement period and becomes an eligible employee pursuant to Paragraph 4(b), and if the employee is a “covered employee” within the meaning of Section 162(m), then to the extent necessary for the Plan to qualify as performance-based compensation under Section 162(m) or its successor under then applicable law, all relevant elements of the performance goals established pursuant to paragraph 6 of this Plan for that employee must be established on or before the date on which 25% of the time from the commencement of employment to the end of the measurement period has elapsed, and the outcome under the performance goals for the measurement period must be substantially uncertain at the time those elements are established.

8. Determination of Attainment of Performance Goals.

The Compensation Committee shall determine, pursuant to the performance goals and other elements established pursuant to section 6 of the Plan, the amounts to be paid to each employee for each measurement period or the extent to which awards have vested. The Compensation Committee’s determinations shall be final and binding on all participants. However, with respect to the Chief Executive Officer and Executive Chairman, the Company’s outside directors shall be entitled (but are not required) to review and approve (by majority vote) the Compensation Committee’s determination. These determinations must be certified in writing before payments are made, which requirement may be satisfied by approved minutes of the Compensation Committee meeting setting out the determinations made. The Compensation Committee shall not have discretion to increase the amount of an award or accelerate the vesting of an award to any employee who is a “covered employee” within the meaning of Section 162(m) if such action would cause the award or any part thereof to not be deductible under the Internal Revenue Code. The Compensation Committee may exercise negative discretion in a manner consistent with Section 162(m).

9. Amendments.

The Compensation Committee may not amend or terminate the Plan so as to increase, reduce or eliminate awards under the Plan for any given measurement period retroactively, that is, on any date later than 90 days after the start of the measurement period. The Compensation Committee may amend or terminate the Plan at any time on a prospective basis and/or in any fashion that does not increase, reduce or eliminate awards retroactively. The foregoing notwithstanding, except as required by applicable law, the Compensation Committee shall not have the power to amend the Plan in any fashion that would cause the Plan to fail to qualify as performance-based compensation with respect to any “covered employee” as defined under Section 162(m) or its successor.

Without limiting the generality of the foregoing, to the extent it would cause the Plan to fail to qualify as performance-based compensation with respect to any “covered employee” as defined under Section 162(m) or its successor under then applicable law, the Compensation Committee shall not have the power to change the material terms of the performance goals unless (i) the modified performance goals are established by the Compensation Committee no later than 90 days after the start of the applicable measurement period, on or before 25 percent of the measurement period has elapsed, and while the outcome is substantially uncertain; and (ii) no payments are made under the modified performance goals until after the material terms of the modified performance goals are disclosed to and approved by the Company’s stockholders.

10. Time and Form of Payment.

All payments in respect of awards granted under this Plan shall be made in cash on or before March 15th of the year following the year in which the measurement period ends. The Committee may also provide for payment in the form of shares or share awards as provided in Section 5.

11. Section 409A of the Code.

Awards under the Plan are intended to comply with Section 409A of the Code and all awards shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the effective date of the Plan. Notwithstanding any provision of the Plan or any Award to the contrary, in the event that the Committee determines that any Award may or does not comply with Section 409A of the Code, the Company may adopt such amendments to the Plan and the affected Award (without employee consent) or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Compensation Committee determines are necessary or appropriate to (i) exempt the Plan and any award from the application of Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to Award, or (ii) comply with the requirements of Section 409A of the Code.

Notwithstanding any provisions of this Plan to the contrary, if an employee is a “specified employee” (within the meaning of Section 409A of the Code and determined pursuant to policies adopted by the Company) on his or her date of separation from service and if any portion of an award to be received by the employee upon his or her separation from service would be considered deferred compensation under Section 409A of the Code, amounts of deferred compensation that would otherwise be payable pursuant to this Plan during the six-month period immediately following the employee’s separation from service will instead be paid or made available on the earlier of (i) the first day of the seventh month following the date of the Participant’s separation from service and (ii) the employee’s death. In the event that payments are delayed pursuant to this section, then such payments shall be paid at the time specified in this section without interest. The Company shall consult with the employee in good faith regarding the implementation of the provisions of this section, provided that neither the Company nor any of its employees or representatives shall have any liability to the employee with respect thereto. Any amount under this program that satisfies the requirements of the “short-term deferral” rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute a deferred payment for purposes of this Plan. Any amounts scheduled for payment hereunder when they are ordinarily paid, will nonetheless be paid to employee on or before March 15th of the year following the year when the payment is no longer subject to a substantial risk of forfeiture. For purposes of Section 409A of the Code, the right to a series of installment payments shall be treated as a right to a series of separate payments, and references herein to the employee’s termination of employment shall refer to employee’s separation of services with the Company within the meaning of Section 409A of the Code.

12. Rule 10b5-1 Trading Plans; Stock Withholding.

It is expected that participants under the Plan will establish or modify stock trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, to provide for the sale of Company shares and remit to the Company the proceeds to meet the Company’s withholding obligations in connection with stock awards hereunder. To the extent participants fail to establish or modify 10b5-1 plans in accordance with the foregoing, the Company shall at its election either require the participant to pay cash sufficient to meet the withholding obligation or the Company shall withhold the number of shares under a stock award sufficient (based on the fair market value of the Shares) to meet such withholding obligation.

13. Effect on Employment/Right to Receive.

Employment with the Company and its affiliates is on an at-will basis. Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any participant's employment or service at any time, with or without cause or notice. Furthermore, the Company expressly reserves the right, which may be exercised at any time and without regard to any measurement period, to terminate any individual's employment with or without cause, and to treat him or her without regard to the effect which such treatment might have upon him or her as a participant under this Plan. For purposes of this Plan, transfers of employment between the Company and/or its affiliates shall not be deemed a termination of employment. No person shall have the right to be selected to receive a Stock Award under the Plan, or, having been so selected, have the right to receive a future award.

14. Successors.

All obligations of the Company under the Plan, with respect to awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all the business or assets of the Company.

15. Nontransferability of Awards.

No award granted under this Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will, by the laws of descent and distribution, or to the extent permitted by the Company's 1997 Stock Incentive Plan, 1999 Stock Incentive Plan or other equity plan, to the extent an award is payable from such plans. All rights with respect to an award granted under this Plan shall be available during his or her lifetime only to the participant to whom the award under this Plan is granted.

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

SUBSIDIARY	STATE OR OTHER JURISDICTION OF OPERATION
Lam Research AG	Austria
Lam Research Management GmbH	Austria
Lam Research (Shanghai) Co., Ltd.	China
Lam Research Semiconductor (Suzhou) Co., Ltd.	China
Lam Research Service Co., Ltd.	China
SEZ China Ltd.	China
Lam Research SAS	France
Lam Research GmbH	Germany
Lam Research (Ireland) Limited	Ireland
Lam Research (Israel) Ltd.	Israel
Lam Research S.r.l.	Italy
Lam Research Co., Ltd.	Japan
Lam Research Korea Limited	Korea
Lam Research Luxembourg S.a.r.l.	Luxembourg
LAM Research B.V.	Netherlands
Lam Research International B.V.	Netherlands
Silfex Incorporated	Ohio, United States
Lam Research Singapore Pte Ltd	Singapore
SEZ Asia Pacific Pte. Ltd.	Singapore
SEZ Singapore Pte. Ltd.	Singapore
SEZ Slovakia S.T.O.	Slovakia
Lam Research Holding AG	Switzerland
Lam Research International Sarl	Switzerland
Lam Research Co., Ltd.	Taiwan
SEZ Taiwan Ltd.	Taiwan
Lam Research Ltd.	United Kingdom

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Form S-4 No. 333-30545) of Lam Research Corporation and in the related Prospectus and in the Registration Statements (Form S-8 Nos. 333-01011, 333-18115, 333-32981, 333-45265, 333-66833, 333-72751, 333-93115, 333-74500, 333-84638, 333-127936, 333-138545 and 333-156335) pertaining to the amended and restated 1996 Performance-Based Restricted Stock Plan, 1997 Stock Incentive Plan, 1999 Employee Stock Purchase Plan, 1999 Stock Option Plan, 2007 Stock Incentive Plan, and the Savings Plus Plan, 401(k) of Lam Research Corporation of our reports dated August 20, 2010, with respect to the consolidated financial statements and schedule of Lam Research Corporation and the effectiveness of internal control over financial reporting of Lam Research Corporation included in its Annual Report (Form 10-K) for the year ended June 27, 2010, filed with the Securities and Exchange Commission.

Ernst & Young LLP

San Jose, California
August 20, 2010

EXHIBIT 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION (PRINCIPAL EXECUTIVE OFFICER)

I, Stephen G. Newberry, certify that:

1. I have reviewed this Annual Report on Form 10-K of Lam Research Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 20, 2010

/s/ Stephen G. Newberry
Stephen G. Newberry
President and Chief Executive Officer

EXHIBIT 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION (PRINCIPAL FINANCIAL OFFICER)

I, Ernest E. Maddock, certify that:

1. I have reviewed this Annual Report on Form 10-K of Lam Research Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 20, 2010

/s/ Ernest E. Maddock
Ernest E. Maddock
Senior Vice President, Chief Financial Officer
and Chief Accounting Officer

EXHIBIT 32.1

SECTION 1350 CERTIFICATION (PRINCIPAL EXECUTIVE OFFICER)

In connection with the Annual Report of Lam Research Corporation (the “Company”) on Form 10-K for the fiscal period ending June 27, 2010 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen G. Newberry, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 20, 2010

/s/ Stephen G. Newberry
Stephen G. Newberry
President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that Lam Research Corporation specifically incorporates it by reference.

EXHIBIT 32.2

SECTION 1350 CERTIFICATION (PRINCIPAL FINANCIAL OFFICER)

In connection with the Annual Report of Lam Research Corporation (the “Company”) on Form 10-K for the fiscal period ending June 27, 2010 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ernest E. Maddock, Senior Vice President, Chief Financial Officer and Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 20, 2010

/s/ Ernest E. Maddock
Ernest E. Maddock
Senior Vice President, Chief Financial Officer
and Chief Accounting Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that Lam Research Corporation specifically incorporates it by reference.

EXECUTIVE OFFICERS

Stephen G. Newberry
President and Chief Executive Officer

James W. Bagley
Executive Chairman

Martin B. Anstice
Executive Vice President and
Chief Operating Officer

Ernest E. Maddock
Senior Vice President and
Chief Financial Officer

Richard A. Gottscho, Ph.D.
Senior Vice President, Global Products
and General Manager, Etch Businesses

Abdi Hariri
Group Vice President,
Global Operations

Sarah O'Dowd, Esq.
Group Vice President,
Human Resources and Chief Legal Officer

Thomas J. Bondur
Vice President and General Manager,
Sales and Marketing

Mukund Srinivasan, Ph.D.
Vice President and General Manager,
Clean Product Group

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Lam RESEARCH

LAM RESEARCH 30 YEARS

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