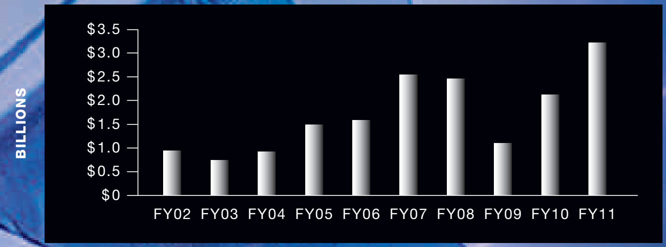
Lam RESEARCH

2011 ANNUAL REPORT

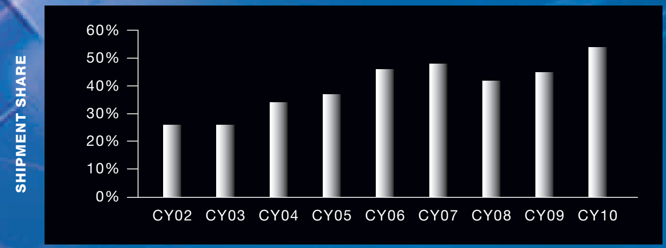
LAM RESEARCH finished fiscal year 2011 with a number of Company records. We achieved $3.2 billion in revenue, diluted earnings per share of $5.79, over 50% shipped market share for etch, and approximately 30% market share for single-wafer clean. Our focus on delivering leading-edge technology and cost-effective production performance positions us well for continued success.

ANNUAL REVENUE

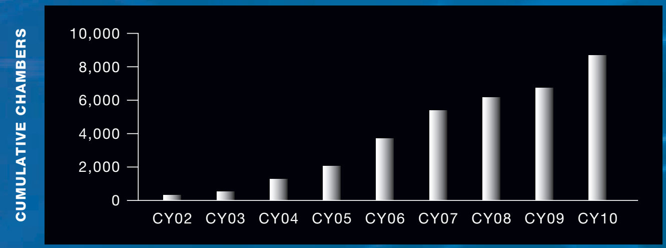


EARNINGS PER SHARE

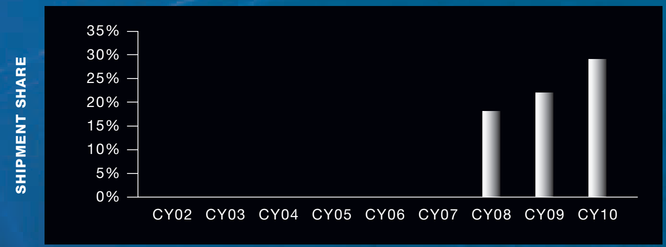
ETCH MARKET SHARE



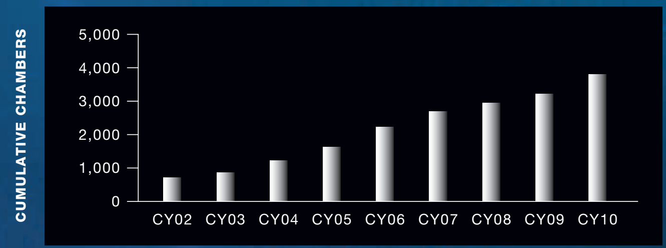
2300® ETCH INSTALLED BASE



SINGLE-WAFER CLEAN MARKET SHARE



SINGLE-WAFER CLEAN INSTALLED BASE



letter

TO OUR STOCKHOLDERS

Lam Research delivered strong fiscal 2011 results as the semiconductor equipment industry quickly recovered from the recent global recession. Our fiscal year ending June 26, 2011, was a year of records for the Company, including shipments of $3.3 billion, revenues of $3.2 billion, and diluted earnings per share of $5.79. We also generated strong cash flows from operations of more than $880 million, or 27% of revenues, and ended the fiscal year with approximately $2.1 billion in cash, cash equivalents, and short-term investments.

Our results reflect solid operational execution and strategic focus on managing our business for superior performance across industry cycles. That superior performance is validated by our calendar year 2010 performance compared with the wafer fabrication equipment (WFE) industry. Lam's calendar year system shipments grew by nearly 200% over calendar 2009, compared with industry spending growth of approximately 127% over the same period.

This shipment performance reinforces the significant gains in market share Lam Research achieved in calendar year 2010. We remain the market share leader in etch, with an estimated shipped share of greater than 50% at the end of fiscal 2011. We are also building a solid position in single-wafer clean, with market share of approximately 30% at fiscal year-end. We regard market share as a critical measure of customer trust, technical leadership, and business execution. Our ability to consistently deliver leading-edge technology and cost-effective production performance positions us well for the critical new application wins that ultimately drive future share gains.

These core competitive strengths will play a critical role in the next stage of WFE industry growth. Our fiscal 2011 year-end coincided with a 12-month period in which the WFE industry returned to its historical cyclical spending peak in the range of $31 billion to $32 billion. As we write this letter, we believe that the rapid pace of industry recovery from the low point in calendar 2009 has led to a pause in spending as our customers absorb recent capacity expansions.

In past cycles, these pauses often foreshadowed a sharp decline in spending given the semiconductor industry's history of sizable, rapid corrections. However, we believe the WFE industry has started to evolve, driven by a couple of fundamental changes. First, there has been a significant concentration in our customer base caused by both mergers and macro-economic challenges that hindered access to capital markets. Second, equipment manufacturers' improved ability to deliver on short lead-times has enabled our customers to better match deliveries to near-term demand.

Fewer customers combined with better operating flexibility translates to an industry environment in which customers are better equipped to manage the timing of capacity expansions. While this industry dynamic leads to increased order and shipment variability quarter to quarter, we think this lowers the potential for prolonged periods of industry overcapacity, which historically has been the chief driver of extended cyclical lows. As a result, we believe the duration of a near-term spending pause will primarily be a function of the macro-economic environment and its relative impact on overall semiconductor demand.

Over the next several years, we see the potential for strong semiconductor demand and healthy levels of WFE spending. The rapid growth and penetration of content-rich devices such as smartphones, tablets, and notebook computers should drive unit growth of integrated circuits in the low double digits over the next several years, reaching as many as 275 billion units by 2014. Our customers will need to continue expanding capacity to meet that demand.

Moreover, the mobile and computing trends that are defining this next generation of consumer technology are placing new demands on the semiconductor industry. Smartphones and tablets will require greater memory density, while their logic chips must meet continuing lower-power and higher-performance requirements. Meeting these technical challenges requires new device architectures as technology nodes advance over the next few generations. We believe these requirements will drive sustained levels of high capital intensity in the semiconductor industry.

Overall, higher capital intensity combined with a healthy demand environment supports our view of favorable WFE spending trends over the next several years, a time period in which we believe the industry has the potential to reach new cyclical peak spending levels.

This environment offers both opportunities and challenges, and Lam Research is positioning itself well to address them. In fiscal 2011, we increased investments in core R&D and customer-specific programs in order to meet the technology and productivity needs that are apparent on the horizon. Our additional spending levels are an investment with an expected return of increased market share gains. In our etch business, we are building on the formula that has made us the leader, releasing multiple new products that address customer needs. We are also applying our etch model to the expansion of our clean business by establishing the same commitments to technical differentiation and operational excellence that have defined our long-term success.

As we execute on these initiatives, we remain focused on continuing to deliver the superior operating and financial performance that we, and our shareholders, have come to expect. Our ability to deliver this performance is a direct function of our strong global organization, and we want to thank all of our employees for their drive and commitment to Lam's success. We also want to express our gratitude to our customers for their continued support as we collaborate to address the ever-increasing performance demands that their products must meet. And finally, we thank our shareholders for their investment in Lam Research.

Sincerely,

Stephen G. Newberry
Chief Executive Officer and Vice Chairman

James W. Bagley
Chairman of the Board

SEPTEMBER 1, 2011

directory

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 3, 2011, 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 "next several years", "potential", "will", "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; 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 2011 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 (SEC), 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

September 19, 2011

Dear Lam Research Stockholders,

We cordially invite you to attend, in person or by proxy, the Lam Research Corporation 2011 Annual Meeting of Stockholders. The annual meeting will be held on Thursday, November 3, 2011, at 11:00 a.m. local 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 the Calendar/Webcasts link at *http://investor.lamresearch.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:	Advisory vote on fiscal year 2011 executive compensation (“Say on Pay”)	**FOR**
Proposal No. 3:	Advisory vote on frequency of executive compensation vote	**FOR ONE YEAR**
Proposal No. 4:	Ratification of the appointment of independent registered public accounting firm for fiscal year 2012	**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

James W. Bagley
Chairman of the Board

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

NOTICE OF 2011 ANNUAL MEETING OF STOCKHOLDERS

DATE AND TIME	Thursday, November 3, 2011 at 11:00 a.m. local 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.lamresearch.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:	Advisory vote on fiscal year 2011 executive compensation ("Say on Pay")
	Vote on Proposal No. 3:	Advisory vote on frequency of executive compensation vote
	Vote on Proposal No. 4:	Ratification of the appointment of independent registered public accounting firm for the fiscal year ending June 24, 2012
	Transact other business that may properly come before the annual meeting (including any adjournment or postponement)	
RECORD DATE	September 9, 2011. 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 made available and/or mailed to our stockholders on or about September 19, 2011

LAM RESEARCH CORPORATION

PROXY STATEMENT
FOR
2011 ANNUAL MEETING OF STOCKHOLDERS
To Be Held November 3, 2011

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LAM RESEARCH CORPORATION

PROXY STATEMENT FOR 2011 ANNUAL MEETING OF STOCKHOLDERS

Our board of directors solicits your proxy for the 2011 Annual Meeting of Stockholders and any adjournment or postponement of the meeting, for the purposes described in the "Notice of 2011 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 9, 2011. 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	122,656,511 shares of common stock were 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 as described here 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 people 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.lamresearch.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 2011 Annual Report to stockholders entitled to vote at the annual meeting who have designated a preference for a printed copy beginning on September 19, 2011. We have also provided our stockholders access to our proxy materials over the internet in accordance with rules and regulations adopted by the United States Securities and Exchange Commission ("SEC"). These materials are available on our website at *http://investor.lamresearch.com* and at *www.proxyvote.com*. We will furnish, without charge, a printed copy of these materials and our 2011 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*). A Notice of Internet Availability of Proxy Materials will be mailed beginning on September 19, 2011 to all stockholders entitled to vote at the meeting. The notice will have instructions for stockholders on how to access our proxy materials via a website and how to request that a printed copy of the proxy materials be mailed to them. The notice will also have instructions on how to elect to receive all future proxy materials electronically or in printed form. If you choose to receive future proxy materials electronically, you will receive an email each year with instructions on how to access the proxy materials and proxy voting site.
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, email or other communication means, without any cost to Lam Research. In addition, we have retained Phoenix Advisory Partners to assist in obtaining proxies by mail, facsimile or email from brokers, bank nominees and other institutions for the annual meeting. The estimated cost of such services is $8,500 plus out-of-pocket expenses. Phoenix Advisory Partners may be contacted at 110 Wall Street, 27th Floor, New York, New York 10005. 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

Pursuant to Proposal No. 1, board members will be elected at the annual meeting to fill ten seats on the board under a "majority vote" standard. The majority voting standard means that, even though there are ten nominees for the ten 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 ten nominees. Stockholders may not cumulate votes in the election of directors.

Each share is entitled to one vote on Proposals No. 2, 3 and 4. Votes may be cast "for," "against" or "abstain" on Proposals 2 and 4. Votes may be cast "for" one of the three proposed frequencies (every one, two, or three years) or "abstain" on Proposal No. 3.

The stockholder advisory vote on Proposal No. 3 will be determined by a plurality of votes, which means that the choice of frequency that receives the highest number of "for" votes will be considered the advisory vote of our stockholders. Abstentions and broker non-votes will not count as votes cast "for" any frequency choice and will have no direct effect on the outcome of this proposal.

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: "for" all individuals nominated by the board; "for" approval, on an advisory basis, of the fiscal year 2011 compensation of the Company's named executive officers; "for" a frequency of one year for the advisory vote on compensation of the Company's named executive officers; and "for" the ratification of Ernst & Young as the Company's independent registered public accounting firm.

If you choose to vote in person, you will have an opportunity to do so at the annual meeting. You may either bring your proxy card to the annual meeting, or if you do not bring your proxy card, the Company will pass out written ballots to anyone who was a stockholder as of the Record Date. As noted above, if you are a beneficial owner (an owner who is not the record holder of their shares), you will need to obtain a proxy from your brokerage firm, bank, or the stockholder of record holding shares on your behalf.

Voting by 401(k) Plan Participants

Each employee participant in Lam's Savings Plus Plan, Lam Research 401(k) (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 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.lamresearch.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 2012 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 2012 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 13, 2012 for the proposal to be eligible for inclusion. 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; 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. Under current SEC rules, stockholder nominations for directors are not eligible for inclusion in the Company's proxy materials.

Our bylaws establish requirements for these stockholder proposals and nominations to be discussed at the annual meeting even though they are not included in our proxy statement. Assuming that the 2012 Annual Meeting takes place at roughly the same date next year as the 2011 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 2012 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 20, 2012, and no later than August 20, 2012;
- 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;
- Be accompanied by a written consent of each proposed nominee to be named as a nominee and to serve as a director if elected; and
- Be accompanied by a statement whether such person, if elected, intends to tender, promptly following such person's election or reelection, an irrevocable resignation effective upon such person's failure to receive the required vote for reelection at the next meeting at which such person would face reelection and upon acceptance of such resignation by the board, in accordance with our corporate governance guidelines.

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 ten directors is to be elected at the 2011 Annual Meeting. In general, the ten 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 ten 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 ten nominees named below, each of whom is currently a director of the Company. The proxies cannot be voted for more than ten nominees, whether or not there are additional 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 reelection 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 72 *Nominee for reelection* Chairman	Mr. Bagley is the Chairman of the Board of Directors, a position he has held since 1998. He served as Executive Chairman from 2005 to 2010. From 1997 until 2005, Mr. Bagley also served as the Company'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., a provider of semiconductor and other manufacturing equipment, 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
Robert M. Berdahl, age 74 *Nominee for reelection* Lead independent director Compensation Committee member Nominating and Governance Committee Chair	Dr. Berdahl has been a director of the Company since 2001. He was the President of the Association of American Universities from 2004 until his retirement in June 2011. 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 has brought to bear in 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, and his crisis management experience.
Eric K. Brandt, age 49 *Nominee for reelection* Audit Committee member	Mr. Brandt has been a director of the Company since 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. 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 and as a senior member of the firm's heath care practice. 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 Pharmaceuticals, Inc. 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 the Harvard Graduate School of Business. The board has concluded that Mr. Brandt is qualified to serve as a director of the Company because of his financial expertise including as an active chief financial officer of a publicly traded company that is a customer of our customers, his experience in the semiconductor industry, and his service on other boards of directors.

Board Member Name and Current Board Role(s)	**Principal Occupation and Business Experience During Past Five Years**
Michael R. Cannon, age 59 *Nominee for reelection* Compensation Committee member Nominating and Governance Committee member	Mr. Cannon has been a director of the Company since 2011. He is the General Partner of MRC & LBC Partners, LLC. He retired from Dell Inc. in 2009 after serving as Dell's President of Global Operations from 2007 to 2009. Prior to joining Dell, he was President and Chief Executive Officer and served on the board of directors of Solectron Corporation, which he joined in 2003. From July 1996 until 2003, Mr. Cannon served as President and Chief Executive Officer of Maxtor Corporation, where he also served on the board. Prior to Maxtor, Mr. Cannon held senior management positions at IBM. Mr. Cannon serves on the boards of Adobe Systems, Seagate Technology, and the Elster Group SE. He studied mechanical engineering at Michigan State University and completed the Advanced Management Program at the Harvard Graduate School of Business. The board has concluded that Mr. Cannon is qualified to serve as a director of the Company because of his experience as a director on other public company boards, his experience in leadership roles at a public corporation that is a customer of our customers, and his industry and technology knowledge.
Christine A. Heckart, age 45 *Nominee for reelection* Compensation Committee member	Ms. Heckart has been a director of the Company since 2011. She is the Chief Marketing Officer at NetApp, Inc., a leading provider of data storage and management solutions. Prior to her position at NetApp, she served as General Manager in Microsoft's TV, video and music business from 2005 to 2010. From 2002 to 2005, she led global marketing at Juniper Networks and was President at TeleChoice, Inc, a consulting firm specializing in business and marketing strategies, from 1995-2002. Ms. Heckart holds a degree in economics from the University of Colorado at Boulder. The board has concluded that Ms. Heckart is qualified to serve as a director of the Company because of her experience in leadership roles at public corporations, her knowledge of the electronics industry and her strong marketing background.
Grant M. Inman, age 69 *Nominee for reelection* 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. 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 prior service 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 diverse 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 reelection* 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. in economics and biology 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 are customers of our customers, and experience on other boards, including her current service as chairman of the audit committee of SanDisk.
Stephen G. Newberry, age 57 *Nominee for reelection* Vice Chairman and Chief Executive Officer	Mr. Newberry has been a director of the Company since 2005 and has served as the Vice Chairman of the Company's board since 2010. He also serves as the Company's Chief Executive Officer, and previously served as the Company's President. 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, President and Chief Executive Officer in June 2005, and Vice Chairman and Chief Executive Officer in December 2010. As previously announced, Mr. Newberry is expected to transition from being the Company's Vice Chairman and Chief Executive Officer to being Vice Chairman effective January 1, 2012. 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 Nanometrics Incorporated, a publicly traded company, and of Semiconductor Equipment and Materials International ("SEMI"), a global semiconductor industry trade association. Mr. Newberry previously served as a director of Amkor Technology, Inc., and of Nextest Systems Corporation. 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 Chief Executive Officer, his active role in the semiconductor industry's trade association, and his strong leadership and operations expertise.

Board Member Name and Current Board Role(s)	Principal Occupation and Business Experience During Past Five Years
Kim E. Perdikou, age 54 *Nominee for reelection* Audit Committee member	Ms. Perdikou has been a director of the Company since 2011. She currently serves as Executive Vice President, Office of the Chief Executive Officer, at Juniper Networks. Before joining Juniper as Chief Information Officer, she served as Chief Information Officer of Women.com. She holds two masters' degrees: one in information systems from Pace University in New York and a second in education from Jordanhill College in Glasgow, Scotland, as well as a bachelor's degree in computer science and operational research from the University of Paisley in Scotland. The board has concluded that Ms. Perdikou is qualified to serve as a director of the Company because of her experience in leadership roles at public corporations, her ability to contribute to the diversity of perspectives on the board, and her strong marketing background.
Abhijit Y. Talwalkar, age 47 *Nominee for reelection* Compensation Committee member Nominating and Governance Committee member	Mr. Talwalkar has been a director of the Company since 2011. He is the Chief Executive Officer and President of LSI Corporation, a leading provider of silicon, systems and software technologies for the storage and networking markets. Mr. Talwalkar also serves on the board of directors for LSI and the U.S. Semiconductor Industry Association. Prior to becoming the LSI Chief Executive Officer and President, Mr. Talwalkar acted in several executive leadership roles at Intel. He has a degree in electrical engineering from Oregon State University. The board has concluded that Mr. Talwalkar is qualified to serve as a director of the Company because of his experience in the semiconductor industry, including as the chief executive officer of a semiconductor company, his leadership roles at other semiconductor companies, and his active role in the semiconductor industry's trade association.

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 year 2011 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. We believe the nominees have an appropriate diversity of viewpoints and experiences that will encourage a robust decision-making process for the board.

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 "*Compensation Discussion and Analysis*" section; and (iv) all current directors and current executive officers as a group. With the exception of 5% owners, and unless otherwise noted, the information below reflects holdings as of September 9, 2011, which is the Record Date for the 2011 Annual Meeting and the most recent practicable date for determining ownership. For 5% owners, holdings are as of June 30, 2011, which is the most practicable date for determining their holdings based on their most recent ownership reports filed with the SEC. The percentage of the class owned is calculated using 122,656,511 as the number of shares of Lam's Common Stock outstanding on September 9, 2011.

Name of Person or Identity of Group	Shares Beneficially Owned (1)	Percentage of Class
5% Stockholders		
JP Morgan Asset Management 245 Park Avenue New York, NY 10167-0002	13,319,573	10.9%
BlackRock Institutional Trust Company, N.A. 400 Howard Street San Francisco, CA 94105-2618	7,307,212	6.0%
Fidelity Management & Research Company 82 Devonshire Boston, MA 02109	6,624,433	5.4%
Directors		
David G. Arscott	87,733	*
James W. Bagley	142,000	*
Robert M. Berdahl	4,750	*
Eric K. Brandt	1,297	*
Michael R. Cannon	—	*
Christine A. Heckart	—	*
Grant M. Inman	83,998	*
Catherine P. Lego	26,998	*
Stephen G. Newberry (also a Named Executive Officer)	162,540	*
Kim E. Perdikou	—	*
Abhijit Y. Talwalkar	—	*
Named Executive Officers ("NEOs")		
Martin B. Anstice	46,258	*
Richard A. Gottscho	11,276	*
Ernest E. Maddock	39,388	*
Sarah A. O'Dowd	49,541	*
All current directors and executive officers as a group (17 people)	682,254	0.6%

* Less than 1%.

(1) Includes shares subject to outstanding stock options that are now exercisable or will become exercisable within 60 days after September 9, 2011, as well as restricted stock units ("RSUs") that will vest within that time period, as follows:

David G. Arscott	27,000	Ernest E. Maddock	24,480
Eric K. Brandt	1,297	Sarah A. O'Dowd	38,658
Stephen G. Newberry	123,700	All current directors and executive officers as a group (17 people)	249,768
Martin B. Anstice	29,120		

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 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 the requirements of federal and state law, including rules and regulations of the SEC; the listing standards for the NASDAQ Global Select Market ("NASDAQ"); published guidelines and recommendations of institutional shareholder organizations; and published guidelines of a selection of other public companies.

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.lamresearch.com*. Please also refer to "*Board Committees*," below, for a description of responsibilities of these 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.lamresearch.com*.

Global standards of business conduct policy. We maintain written standards of appropriate business conduct in a variety of business situations that apply to employees worldwide. Among other things, these global standards of business conduct prohibit 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.

Insider trading policy. Our insider trading policy restricts the trading of Company stock by our 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 recommending that an incumbent non-employee director be nominated for reelection 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 the Company'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 appointment or 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.

Certain provisions of our bylaws apply to the nomination or recommendation of candidates by a stockholder. Information regarding the nomination procedure is provided in the section above captioned "*Stockholder-Initiated Proposals and Nominations for 2012 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 any such director's independence must be reassessed by the full board following such approval).

Board member independence. The board has determined that all current 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 – the 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) of the Internal Revenue Code. See "*Board 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 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. Dr. 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, as part of each regularly scheduled meeting and at any other time 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 standing committees separately, may retain, at the Company's expense, and may terminate, in their discretion, any independent consultants, counselors, or advisors as they deem necessary or appropriate to fulfill their responsibilities.

Leadership Structure of the Board

The current leadership structure of the board consists of a chairman, a vice chairman and a lead independent director. The chairman, Mr. Bagley, is a former chief executive officer of the Company. Our current chief executive officer, Mr. Newberry, serves as vice chairman.

The board believes that having a chairman, a vice chairman and a lead independent director is the appropriate leadership structure at this time. The Company and its stockholders benefit from having our former chief executive officer serve as our chairman, as he can bring to bear his experience with the Company's business and customers in carrying out his responsibilities as chairman; and from having our current chief executive officer serve as vice chairman, as he can provide detailed and in-depth knowledge of the issues, opportunities and challenges facing the Company and bring to bear his perspective in setting board agendas as well as participating in board discussions and decisions. We expect these benefits to continue after Mr. Newberry transitions from being vice chairman and chief executive officer to being vice chairman on January 1, 2012. The Company and its stockholders also benefit from having a lead independent director to provide independent board leadership.

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 director who is also an executive officer must offer to submit his or her resignation as a director to the board if the director ceases to be an executive officer. 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 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 November 6, 2012. We also have guidelines for stock ownership by other designated members of the executive management team, which are described under "*Compensation Discussion & Analysis*."

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 94536. 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 individuals who were directors as of the 2010 annual meeting attended the 2010 annual meeting.

Meeting Attendance

All of the directors attended at least 75% of the aggregate number of board meetings and meetings of board committees on which they served during their board tenure in fiscal year 2011. Our board of directors held a total of five meetings during fiscal year 2011.

Board Committees

The board of directors has as standing committees an audit committee, a compensation committee, and a nominating and governance committee. The purpose, membership and charter of each are described below.

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.

At the end of fiscal year 2011, the audit committee consisted of Messrs. Arscott and Brandt, and Mses. Lego and Perdikou. Mr. Arscott and Ms. Lego served for the entire fiscal year. Mr. Brandt joined the committee in October 2010, and Ms. Perdikou joined the committee in May 2011. Mr. Richard J. Elkus, Jr. served on the committee until his November 2010 retirement. The audit committee held ten meetings during fiscal year 2011. 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 year 2011, 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 the Company'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 prior to the filing of the Company's Form 10-K with the SEC, 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
- Review and monitor the Company's investment policy and performance and associated risks, including but not limited to annual review and recommendation to the full board of management's treasury strategy committee charter

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 the Company'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.

At the end of fiscal year 2011, the compensation committee consisted of Dr. Berdahl, Messrs. Cannon, Inman, and Talwalkar and Ms. Heckart. Dr. Berdahl and Mr. Inman served for the entire fiscal year, and the other members joined the committee in May 2011. 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 and who are outside directors for purposes of section 162(m) of the Internal Revenue Code as amended. The compensation committee held five meetings during fiscal year 2011.

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 the Company'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, and recommend such policies to the independent members of the board
- Establish and review corporate goals and objectives as relevant to the chief executive officer, the chairman and the vice chairman, evaluate their performance in light of these goals and objectives and based on this evaluation recommend the chief executive officer's, the chairman's and the vice 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, and administer such plans
- 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
- Recommend to the board the frequency of "say-on-pay" votes, review the results of "say-on-pay" votes, and consider whether any adjustments to the Company's executive compensation program are appropriate as a result of such votes

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 year 2011, the nominating and governance committee consisted of Dr. Berdahl and Mr. Inman, each of whom served for the entire fiscal year. In August 2011, Messrs. Cannon and Talwalkar were also appointed to the committee. 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 year 2011.

The nominating and governance committee's responsibilities include (but are not limited to) the following:

- Identify and evaluate, and 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 as 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 an assessment 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 2012 Annual Meeting*." Subject to then-applicable law, stockholder nominations for director will be evaluated by the Company'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 2011 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 2011 (the first half of which was the second half of fiscal year 2011), each of the Company's non-employee directors received an annual retainer of $50,000. An additional $20,000 fee was paid to the chair of the audit committee, and an additional $15,000 fee was paid to the chair of the compensation 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. For calendar year 2010 (the second half of which was the first half of fiscal year 2011), non-employee directors received a $42,000 annual retainer, the chairs of the audit and compensation committees received an additional $12,500, and the nominating and governance committee chair and lead independent director received $12,500 for his service in both of those roles.

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 subject to the director's continued service on the board. All equity grants are subject to the terms and conditions of the Company's 2007 Stock Incentive Plan and the applicable grant award agreements.

The non-employee directors who joined the board during fiscal year 2011 each received an initial equity grant. Mr. Brandt received an initial equity grant of 5,190 RSUs on November 4, 2010. Mr. Cannon received an initial equity grant of 4,690 RSUs on February 8, 2011. Ms. Heckart, Ms. Perdikou, and Mr. Talwalkar each received an initial equity grant of 5,290 RSUs on May 18, 2011.

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.

Each non-employee director who was on the board on January 31, 2011 received a grant of 3,200 RSUs for services during calendar year 2011. Each RSU grant issued in January 2011 vests in full on November 1, 2011, generally subject to the director's continued service on the board. Receipt of the shares is deferred until January 27, 2012.

The following table shows cash and equity compensation for fiscal year 2011 for directors other than Mr. Newberry, whose compensation is described below under "*Compensation Discussion and Analysis*":

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1) (2)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($) (7)	Total
James W. Bagley	$410,528	$ 0	$0	$0	$0	$15,591	$426,119
David G. Arscott	$ 46,000	$159,648	$0	$0	$0	$19,757	$225,405
Robert M. Berdahl	$ 58,500	$159,648	$0	$0	$0	$13,797	$231,945
Eric K. Brandt	$ 35,500	$409,495(3)	$0	$0	$0	$ 0	$444,995
Michael R. Cannon	$ 25,000	$249,555(4)	$0	$0	$0	$ 0	$274,555
Richard J. Elkus, Jr	$ 21,000	$ 0(5)	$0	$0	$0	$13,797	$ 34,797
Christine A. Heckart	$ 12,500	$249,582(6)	$0	$0	$0	$ 0	$262,082
Grant M. Inman	$ 59,750	$159,648	$0	$0	$0	$13,797	$233,195
Catherine P. Lego	$ 62,250	$159,648	$0	$0	$0	$ 6,162	$228,060
Kim E. Perdikou	$ 12,500	$249,582(6)	$0	$0	$0	$ 0	$262,082
Abhijit Y. Talwalkar	$ 12,500	$249,582(6)	$0	$0	$0	$ 0	$262,082

(1) The amounts shown in this column represent the grant date fair value of unvested restricted stock unit awards granted during fiscal year 2011 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 2011 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 26, 2011.

(2) On January 31, 2011, each non-employee director who was on the board received an annual grant of 3,200 restricted stock units based on the $49.89 closing price of the Company's common stock and the target value of $160,000.

(3) In addition to receiving the January 2011 annual grant, Mr. Brandt received an initial equity grant of 5,190 restricted stock units on November 4, 2010 based on the $48.14 closing price of the Company's common stock and the target value of $250,000. Subject to his continued service, the initial equity grant vests over four years, with 25% of the RSUs vesting on each of the following dates: November 4, 2011; November 4, 2012; November 4, 2013; and November 4, 2014.

(4) Mr. Cannon received an initial equity grant of 4,690 restricted stock units on February 8, 2011 based on the $53.21 closing price of the Company's common stock and the target value of $250,000. Subject to his continued service, the initial equity grant vests over four years, with 25% of the RSUs vesting on each of the following dates: February 8, 2012; February 8, 2013; February 8, 2014; and February 8, 2015.

(5) Mr. Elkus retired from the board on November 4, 2010.

(6) Ms. Heckart, Ms. Perdikou, and Mr. Talwalkar each received an initial equity grant of 5,290 restricted stock units on May 18, 2011 based on the $47.18 closing price of the Company's common stock and the target value of $250,000 each. Subject to their continued service, the initial equity grant vests over four years, with 25% of the RSUs vesting on each of the following dates: May 18, 2012; May 18, 2013; May 18, 2014; and May 18, 2015.

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

Mr. Bagley has a different compensation arrangement than the other directors due to his position as an employee of the Company and chairman of the board. Mr. Bagley's compensation is approved by the independent members of the board upon recommendation from the compensation committee. Mr. Bagley has an employment contract that runs through March 31, 2012. Pursuant to this contract, Mr. Bagley receives annual compensation at a rate of $415,000 per year effective as of November 5, 2010, which resulted in payments totaling $410,528 during fiscal year 2011. During the employment period, Mr. Bagley does not receive additional compensation for his role as a member of the board; he is not eligible for any performance bonus program offered by the Company; and he is not entitled to any equity awards other than those equity awards granted to him in the discretion of the independent members of the board. Mr. Bagley's contract also provides that he may participate in the Company's Elective Deferred Compensation Program and medical, dental and insurance benefit programs maintained by the Company that are generally applicable to executives of the Company, subject to the general terms and conditions of the programs.

If a "change in control" occurs during Mr. Bagley's employment, and an "involuntary termination" of Mr. Bagley's employment occurs either in contemplation of the change in control, or within 12 months following a change in control (as each term is defined in the employment agreement), Mr. Bagley is entitled to a payment equal to 12 months of base compensation and any benefits he qualified for under the Company's Executive Retirement Medical and Dental Plan (or a lump sum equal to the present value of benefits he qualified for under the plan if that plan is terminated prior the change in control). The values of these payments as of the last day of fiscal year 2011 were $415,000 and $233,000, respectively.

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 2011, for the current and former directors who may become eligible is shown below:

Name	Accumulated Post-Retirement Benefit Obligation, as of June 2011
James W. Bagley	$233,000
David G. Arscott	$276,000
Robert M. Berdahl	$214,000
Eric K. Brandt	$ 49,000
Michael R. Cannon	$ 21,000
Richard J. Elkus, Jr.	$194,000
Christine A. Heckart	$ 8,000
Grant M. Inman	$253,000
Catherine P. Lego	$341,000
Kim E. Perdikou	$ 19,000
Abhijit Y. Talwalkar	$ 18,000

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 year 2011, with the exception of (1) a filing by Richard A. Gottscho on August 11, 2010 to report the sale of 5,229 shares on June 16, 2010; (2) a filing by Masayuki Morita on May 2, 2011 to report an RSU net share settlement of 962 shares on April 27, 2011; and (3) a filing by Mukund Srinivasan on May 2, 2011 to report an RSU net share settlement of 1,058 shares on April 27, 2011.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis ("CD&A") describes the Company's executive compensation program. In Section I we provide an executive summary of our program, and in Section II we discuss our philosophy and objectives regarding the program and its various components. In Section III we describe executive compensation governance and procedures. In Section IV we analyze how and why the compensation committee of our board of directors arrived at specific compensation decisions for our executive officers and describe the financial, strategic and operational performance factors that guided those compensation decisions.[1] Finally, Section V addresses tax and accounting considerations related to compensation matters.

[1] 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 our vice chairman and chief executive officer, an action or decision by the independent members of our board of directors.

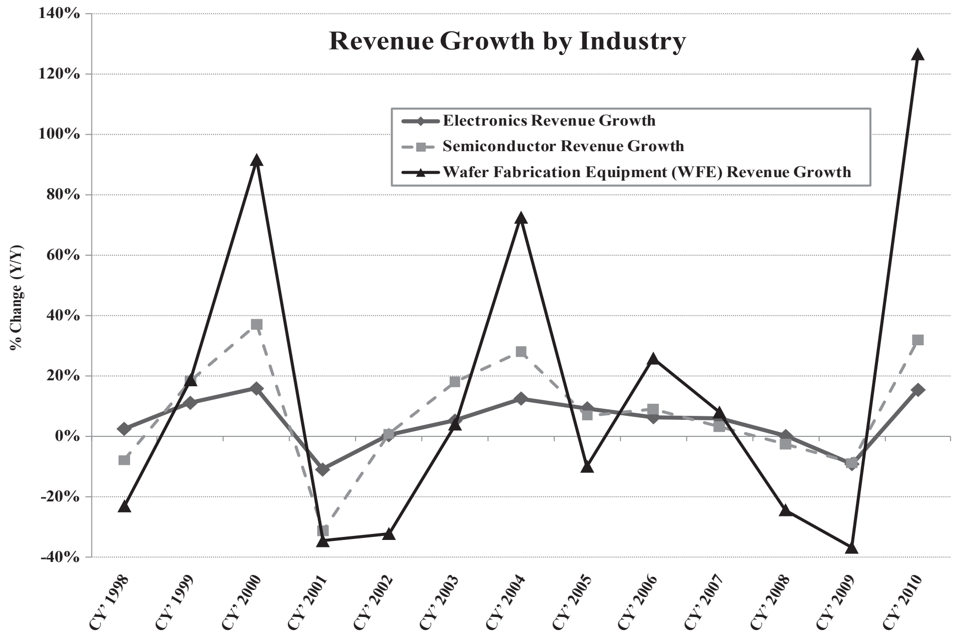
Our CD&A is focused on our "Named Executive Officers," or NEOs, as defined by SEC rules. Our NEOs for fiscal year 2011 were as follows:

Name	Position(s) Held During Fiscal Year 2011
Stephen G. Newberry	Vice Chairman and Chief Executive Officer ("CEO"); President and Chief Executive Officer
Martin B. Anstice	President and Chief Operating Officer; Executive Vice President and Chief Operating Officer
Ernest E. Maddock	Senior Vice President and Chief Financial Officer
Richard A. Gottscho	Senior Vice President, Global Products
Sarah A. O'Dowd	Group Vice President, Human Resources and Chief Legal Officer

I. EXECUTIVE SUMMARY

Our Business and Economic Environments Impact our Compensation Programs and Decisions.

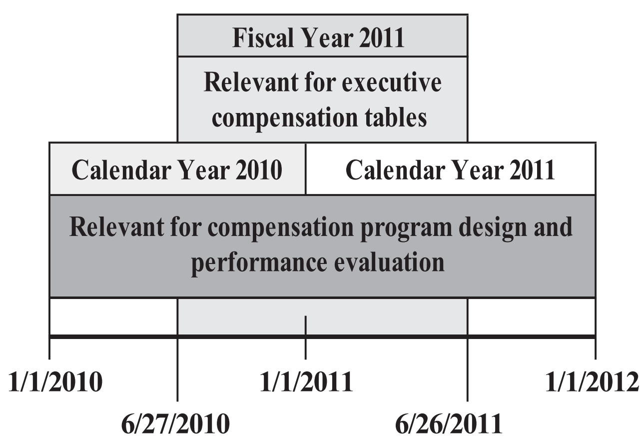
- *Company and industry background*. Lam Research is a leading global supplier of wafer fabrication equipment and services to the semiconductor industry. Semiconductor wafers undergo a complex series of preparation steps and processes that result in the simultaneous creation of many integrated circuits. Our principal products fall into two general categories corresponding to two of those processes: the "Etch" and "Clean" processes.
- *Fiscal year 2011 highlights*. The following are highlights of the Company's performance during fiscal year 2011:
    - Revenue of $3.2 billion, representing 52% growth from fiscal year 2010
    - Operating income of $804 million, representing 89% growth from fiscal year 2010
    - Diluted earnings per share of $5.79, representing 114% growth from fiscal year 2010
    - Cash from operations was 27% of revenue, compared to 16% in fiscal year 2010
- *Industry background*. The semiconductor capital equipment industry is highly competitive, and is subject to business cycles characterized by rapid changes in demand that necessitate adjusting spending and managing capital allocation prudently across business cycles. The graph below shows year over year changes in revenue growth for the electronics industry, the semiconductor industry, and the wafer fabrication equipment segment of the semiconductor equipment industry from 1998 to the present. The semiconductor industry is considered to be a highly cyclical industry, with fluctuations responding to changes in the demand for semiconductor devices. The graph illustrates the more extreme volatility of the semiconductor equipment industry, and in particular the wafer fabrication equipment segment of that industry in which we participate, during these demand cycles. We have responded to this extreme volatility with a flexible business model that enables our operations team to adjust quickly to these rapid changes in demand while effectively managing costs. Our compensation program is designed to incorporate this same flexibility.



Sources: SEMI; World Semiconductor Trade Statistics, Inc. (WSTS); Gartner, Inc.; Lam Research Corporation

Although We Are a June Fiscal Year End Company, Our Executive Compensation Program is Calendar Year-Oriented.

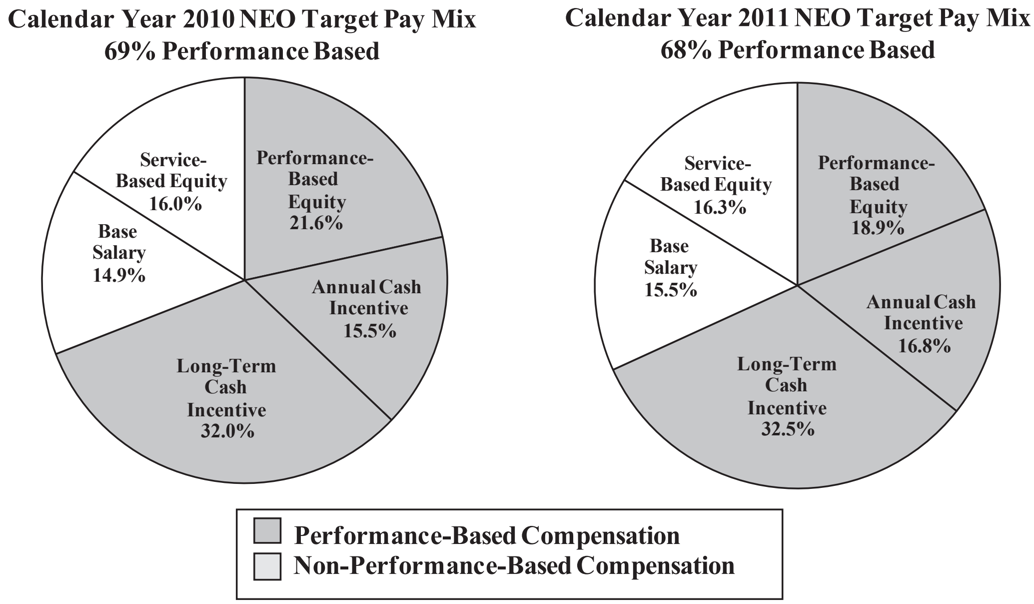
Our executive compensation program is designed and evaluated on a calendar year basis, rather than on a fiscal year basis, to correspond with our annual calendar year-based business planning, performance goal-setting, pay, and benefit cycles. Therefore, this discussion reflects a calendar year orientation, as shown below.



More Than Two-Thirds of our Executive Compensation is Performance-Based, Intended to Reward Executives for Creating Long-Term Stockholder Value and Delivering Exceptional Performance Throughout Fluctuating Business Cycles.

The primary components of executive compensation are heavily weighted towards performance-based elements. For calendar year 2010, metrics included non-GAAP operating income, non-GAAP cash from operations and market share, among others as discussed in Section IV below.[2] In addition, all elements, except base salary, include performance and/or payment cycles that are at least annual. This approach is designed to focus executives on activities that create stockholder value over the long term and deliver exceptional performance throughout fluctuations in business cycles. This orientation is further supported by the Company's executive stock ownership guidelines (described in Section II below).

The following charts illustrate performance-based target compensation as a percentage of total target compensation for calendar years 2010 and 2011. Data for both years is for our fiscal year 2011 NEOs.

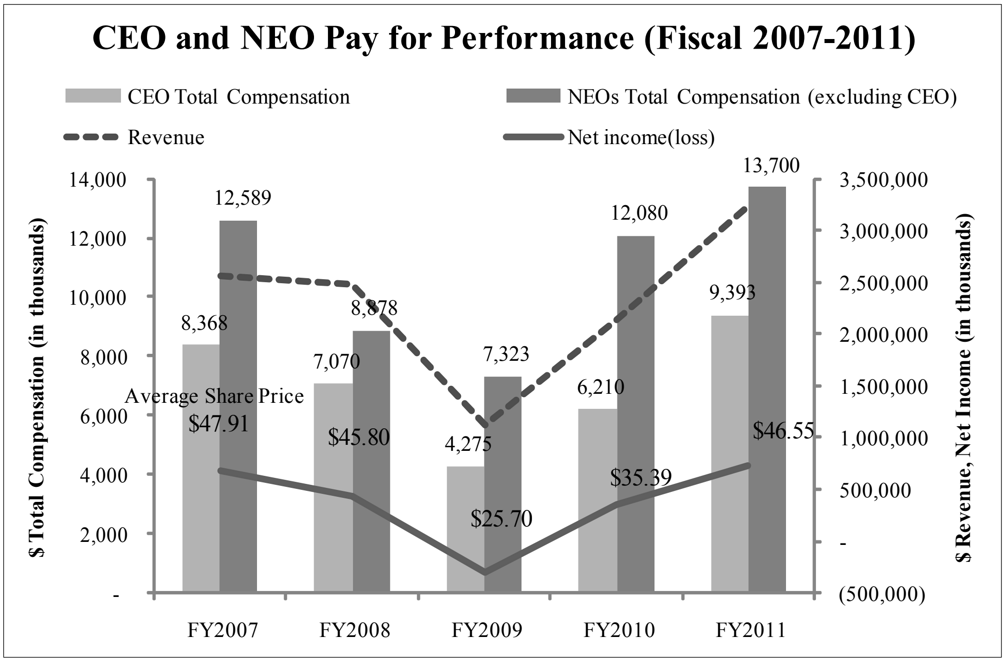


2 The Company's non-GAAP results are designed to provide information about the Company's performance without the impact of certain non-recurring and other non-operating line items. Non-GAAP operating income and non-GAAP cash flow results are derived from GAAP results, with charges and credits in the following line items excluded from non-GAAP results during applicable quarters during fiscal years 2010 and 2011: restructuring and impairment charges; impairment of investment; expenses associated with Section 409A of the Internal Revenue Code; amortization of convertible note discount; net tax benefit of research and development credits; tax expense associated with legal entity restructuring; and the tax effects related to these line items. Non-GAAP cash from operations is derived from GAAP cash from operations, with adjustments to non-GAAP net income, receivables, and inventory.

Our Compensation Philosophy Provides a Framework for Paying for Performance and Focusing Executives on Creating Long-Term Stockholder Value.

We strive for a strong correlation between our executive compensation and Company performance and between our executive compensation and stockholder value as assessed by share price movements, as illustrated in the chart below.

- "CEO Total Compensation" and "NEOs Total Compensation (excluding CEO)" consist of base salary, annual incentive payments, grant date fair values of multi-year incentives (cash and equity), and all other compensation as reported in the Summary Compensation Table immediately following CD&A.
- "Average Share Price" is equal to the average closing price for all trading days during the fiscal year.



The variability in executive compensation shown in the chart illustrates the correlation between pay and performance, as measured by revenue and net income, and between pay and share price. Corresponding to these changes in corporate performance and shareholder value, payouts under our annual cash incentive program averaged from 39-166% of target opportunity during the last three years, and payouts under our long-term cash incentive program averaged from 59-119% of target opportunity during the same period.

Our Compensation Program Considers Market Competitiveness While Protecting Stockholder Interests.

Our compensation program is designed to attract and motivate exceptionally talented executives, and we reward exceptional performance with commensurate compensation. At the same time, our cash incentive programs incorporate caps on individual and aggregate awards to ensure that actual compensation is not greater than 2.25 to 2.5 times target even in instances of exceptional performance. Our long-term equity program limits total shares to a target dollar value – meaning that a relatively high stock price on the grant date results in relatively fewer shares being issued.

II. PHILOSOPHY, OBJECTIVES AND PROGRAM COMPONENTS

Philosophy

The two principal elements of the philosophy underlying our executive compensation program are:

- *Pay for performance*. Our executive compensation program is designed and implemented to link pay to performance by rewarding executives for achieving financial, strategic and operational objectives. As illustrated in the graphs and discussion in Section I, in recent years more than two-thirds of our executive compensation has been performance-based and has varied directly with our revenue and net income.
- *Create stockholder value over the long term and deliver exceptional performance throughout fluctuating business cycles*. Our executive compensation program is designed and implemented to create stockholder value over the long-term and to deliver exceptional strategic, financial and operational results throughout the fluctuating business cycles that we experience.

The following table illustrates how the major components of our compensation program reflect our philosophy: Payment cycles are either annual or bi-annual reflecting a long-term orientation, and payments are based on performance criteria that are set either annually or semi-annually reflecting the fluctuations in our business cycle. We believe this facilitates long-term stockholder value creation throughout fluctuating business cycles.

Component	Performance-Based?	Performance Criteria Periods (1)	Payment Frequency (1)
Base Salary	No(2)	N/A	Bi-weekly
Annual Incentive Program ("AIP") cash incentive program	Yes	6-12 months	Annual
Long-Term Incentive Program ("LTIP")(3)			
• Cash Component(4)	Yes	6 months	Two years(3)
• Performance-Based Equity(5)	Yes	Two years	Two years(3)
• Service-Based Equity	No(2)	N/A	Two years(3)

(1) Annual or semi-annual performance criteria periods provide the flexibility to adjust quickly to fluctuations in the business cycle which are driven by factors outside the control of our management team. Annual or bi-annual payment cycles focus executives on creating stockholder value over the long term.

(2) We do not consider base salary and service-based equity to be performance based; however, individual performance affects adjustments to base salary and the size of service-based equity awards.

(3) The LTIP provides for cash payments and equity vesting (to the extent earned in the case of performance-based Restricted Stock Units ("RSUs")) at the end of a two-year cycle. A new two-year cycle commences each year. See Section IV for more details about this program.

(4) The cash component of the LTIP is performance-based and specifically rewards stockholder value creation: It rewards corporate performance because the principal basis for payments is performance against designated corporate metrics. It rewards stockholder value creation by enhancing the payment if the Company's stock price appreciates during the applicable time periods. In prior year proxy statements, we referred to the cash award portion of the LTIP as the Multi-Year Incentive Program, or MYIP. We have removed the reference to the MYIP in this year's proxy statement to simplify our explanation of this performance-based cash award program.

(5) In any given LTIP cycle, performance-based equity includes either restricted stock units with performance-based vesting or stock options. We are aware that some stockholder advisory services do not consider stock options to be performance-based compensation. However, we consider stock options to be performance-based because options will have no value unless the Company's stock price increases before the exercise date. This position is consistent with that of the Internal Revenue Service under Internal Revenue Code section 162(m), which defines "performance-based" compensation for purposes of that section.

Compensation Objectives

Within the framework of our compensation philosophy, we design and operate our executive compensation program to achieve the following objectives:

- *Attract and retain exceptionally talented executives*. In order to attract and retain executives who can deliver the exceptional levels of performance required for our business to succeed, we offer target compensation that is competitive with that of similarly positioned, high-performing executives at companies with whom we compete for talent. We promote retention by including compensation elements that are contingent on long-term service to the Company.
- *Motivate executives*. Our compensation arrangements are designed to motivate executives by enabling them to earn rewards above target levels for outstanding corporate and individual performance.
- *Allow flexibility to tailor compensation elements to fluctuating business cycles*. Our performance-based compensation plans allow for performance goals related to a broad range of business criteria, including financial, operational and strategic objectives. This flexibility enables us to focus executives on delivering performance that creates long-term stockholder value. Because business cycles in our industry can change rapidly, our programs authorize the compensation committee to evaluate key corporate performance metrics every six months to reflect changes in the business environment. Our executive compensation plans also allow us to use equity in a flexible manner, with different types and timing of awards available to attract, motivate and retain executives in different business environment.
- *Match performance-based compensation expenses to the periods in which the performance occurs*. As noted earlier, our industry is subject to rapid changes in demand which requires us to have a flexible business structure. We structure our compensation program to match performance-based compensation expenses to the periods in which the performance occurs, to the extent practical, to assist management in adjusting to these rapid changes while effectively managing costs.
- *Maintain cost-effectiveness*. To the extent practical, we structure our compensation programs to be cost-effective to the Company and its stockholders. We consider the tax deductibility of compensation expenses for the Company, and we carefully monitor the dilutive impact of equity compensation awards. As noted above, we also set caps on performance-based awards to ensure that actual compensation is not unreasonably high in relation to target compensation during periods of exceptionally strong performance.

Executive Compensation Program Components and Objectives

The primary components of our executive compensation program are base salary, an Annual Incentive Program (“AIP”) and a Long-Term Incentive Program (“LTIP”). The table below shows the principal objectives served by each of these components. Each component is described in more detail in Section IV. With the exception of base salary, the table does not include compensation and benefit programs that are available to our executives on the same basis as other employees.

		Compensation Objectives				
Component	Description	Attract and Retain Executives	Motivate Executives	Allow Flexibility	Match Expense to Performance Period	Maintain Cost-Effectiveness
Base Salary	Bi-weekly fixed cash payments	X				
AIP	Annual performance-based cash plan	X	X	X	X	X
LTIP Cash[(1)]	Two-year performance-based cash plan	X	X	X	X	X
LTIP Performance-Based Equity	Stock options or performance-based RSUs vesting at two years	X	X	X	X (RSUs but not stock options)	X
LTIP Service-Based Equity	RSUs with service-based vesting at two years	X	X	X		

(1) In prior year proxy statements, we referred to the cash award portion of the LTIP as the Multi-Year Incentive Program, or MYIP. We have removed the reference to the MYIP in this year’s proxy statement to simplify our explanation of this performance-based cash award program.

Stock Ownership Guidelines

We have stock ownership guidelines for our executive officers that serve to further align executives’ interests with those of our stockholders. The requirements are specified in the alternative of shares or dollars to enable flexibility in the event of stock price volatility. Ownership levels must be achieved within five years of appointment as an executive officer; and increased requirements due to promotions must be achieved within three years of promotion. The applicable ownership requirement for the chief executive officer as of the end of fiscal year 2011 is the lesser of 65,000 shares or 3 times base salary. For the chief operating and financial officers, the requirement is the lesser of 25,000 shares or 2 times base salary; and for group vice presidents, it is the lesser of 20,000 shares or 2 times base salary.

III. EXECUTIVE COMPENSATION GOVERNANCE AND PROCEDURES

Role of the Compensation Committee

Through its charter, the compensation committee of the board of directors has been delegated 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. A copy of the committee's charter can be viewed at *http://investor.lamresearch.com*.

Key committee responsibilities include, but are not limited to: developing, reviewing and establishing or recommending executive compensation criteria, objectives and packages; evaluating the performance of the chief executive officer and recommending his compensation to the independent members of the board of directors; and reviewing, and approving where appropriate, equity-based compensation plans. 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. For additional information on the committee's responsibilities, see *"Corporate Governance: Board Committees"* above.

In order to carry out these responsibilities, the committee receives and reviews information, analysis and proposals prepared by our management and by the committee's compensation consultant and other advisors (see *"Role of Committee Advisors"* below).

Role of Executive Officers

The chief executive officer, with support from our human resources and finance organizations, develops recommendations for the compensation of our executive officers, including our NEOs. Typically, these recommendations cover the base salaries, annual incentive plan target award opportunities, long-term incentive plan target award opportunities and the criteria upon which these award opportunities may be earned, as well as actual payout amounts under annual and long-term award plans.

Working with its independent consultant, the committee considers the chief executive officer's recommendations within the context of competitive compensation data, the committee's compensation philosophy and objectives, current business conditions, and any other factors it considers relevant. At the request of the committee, the chairman of the board provides input to the committee on the chief executive officer's recommendations.

Our vice chairman and chief executive officer generally attends committee meetings at the request of the committee. He leaves the meeting for any discussion of his own compensation, when the committee meets in executive session, and at any other time requested by the committee.

Role of Committee Advisors

The committee is authorized to engage its own advisors to assist in carrying out its responsibilities. 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 for our NEOs and how these compare to other companies' compensation practices, as well as guidance on market trends, evolving regulatory requirements and other matters as requested by the committee.

Representatives of Compensia regularly attend committee meetings (including executive sessions without management present), communicate with the committee chair outside of meetings, and assist the committee with the preparation of metrics and targets. Compensia reports to the committee, not to management. At the committee's request, Compensia meets with members of management to gather and discuss information that is relevant to advising 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.

Peer Group Practices and Survey Data

The committee considers compensation data from a group of comparably-sized companies in the technology industry (the "Peer Group")[3] as one element in establishing the total compensation levels of our executive officers as well as the mix and weighting of individual compensation elements. The committee selects the companies constituting our Peer Group because of their comparability to us based on lines of business and industry, annual revenue, and market capitalization, and because we believe we are likely to compete with them for executive talent. Our Peer Group is focused on the semiconductor, semiconductor equipment and materials and solar technology industries. Based on these criteria, the Peer Group may be modified from year to year. Our most recent Peer Group (adopted for calendar year 2011) consists of the companies listed below, which represents the same Peer Group we used for calendar year 2010 except for the addition of Avago Technologies.

Calendar Year 2011 Peer Group

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

The following table shows the characteristics of these Peer Group companies compared to the Company:

Metric	Lam Research Calendar Year 2010 ($M)	Target for Peer Group	Median for Calendar Year 2011 Peer Group ($M)
Revenue	$3,004.6	0.5 to 2 times Lam	$2,274.9
Market Capitalization	$6,382.1	0.5 to 2 times Lam	$6,044.5

We derive revenue, market capitalization and NEO compensation data for the Peer Group companies from their public filings with the Securities and Exchange Commission. In addition to analyzing Peer Group information, our human resources department and Compensia analyze selected survey data on base salary, bonus targets, equity awards, and total compensation drawn from the Radford Executive Survey ("Radford Survey"). Radford is a leading provider of compensation data.

The Role of Benchmarking and Target Pay Positioning

The committee reviews compensation practices at Peer Group companies and selected data from the Radford Survey primarily to determine competitive target amounts and types of executive compensation for each individual officer position. The committee generally reviews market data to establish individual target total direct compensation (defined as base salary plus target annual cash incentive awards plus target long-term cash incentive and equity awards). Individual pay positioning depends on a variety of factors, such as prior 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

[3] Our Peer Group may differ from peer groups used by proxy research and voting advisory firms such as Institutional Shareholder Services, Inc. and Glass Lewis & Co., LLC.

attract and retain executive talent, Company performance and general market conditions, as well as target pay ranges established by the committee. The current target pay ranges for executive compensation elements are shown in the following table:

Compensation Element	Target Pay
Base salary	50th percentile of Peer Group
Target annual incentive award	75th percentile of Peer Group
Target total cash compensation	60th - 75th percentile of Peer Group
Long-term incentive grant value	50th - 75th percentile of Peer Group

Generally the target levels for individual compensation elements for our NEOs fall within the target ranges above based on our review of the data ranges for our Peer Group. However, for Messrs. Newberry and Maddock and Ms. O'Dowd, base salaries are above the 50th and below the 65th percentile reflecting their individual experience and performance and the scope of their role. For Dr. Gottscho, long-term incentive grant value is greater than target because of the critical skills he brings to the success of the company as our Senior Vice President, Global Products. Actual compensation may vary from the targeted ranges due to Company and organization performance against designated metrics and fluctuations in the Company's stock price, as described in Section IV of this CD&A.

IV. PRIMARY COMPONENTS OF NEO COMPENSATION; CALENDAR YEAR 2010 COMPENSATION PAYOUTS; CALENDAR YEAR 2011 COMPENSATION ACTIONS

This section describes in more detail the components of our executive compensation program identified in Section II above. It also describes, for each component, the payouts for our NEOs in calendar year 2010, and the actions taken with respect to our NEOs in calendar year 2011.

Base Salary

Base salaries represent one of the primary components of our executive compensation program. We believe the purpose of base salary is to fairly and competitively compensate our executive officers, including our 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 Survey. Adjustments to base salary are generally considered by the committee each year in February.

For calendar years 2010 and 2011, the base salaries of the NEOs were determined by the committee in February and became effective in April based on the factors described above. Base salaries for Mr. Anstice and Dr. Gottscho were increased in December 2010 in connection with their promotions to President and Chief Operating Officer and Senior Vice President, Product Groups, respectively. The base salaries of the NEOs for calendar years 2010 and 2011 are as follows:

Name	Base Salary Effective April 2010	Base Salary Effective April 2011
Stephen G. Newberry	$850,000	$885,000
Martin B. Anstice	$463,500(1)	$550,000
Ernest E. Maddock	$453,200	$471,000
Richard A. Gottscho	$370,800(2)	$425,000
Sarah A. O'Dowd	$360,500	$375,000

(1) Base salary increased to $550,000 effective December 1, 2010.

(2) Base salary increased to $410,000 effective December 1, 2010.

Annual Incentive Program ("AIP")

The AIP provides for annual cash incentive awards to our NEOs based on corporate and business unit performance achievement during the calendar year. For the AIP, the committee establishes individual target and maximum award opportunities for each executive officer. Awards are capped at a multiple of the target opportunity, generally 2.25. A performance-based funding factor (the "Funding Factor") is established to create a pool from which AIP payouts may be made. The committee may exercise negative (but not positive) discretion against the Funding Factor result. The committee also tracks corporate-wide metrics ("Corporate Factor") and related targets that apply to all executive officers, and business-unit-specific metrics ("Organizational Factors") and related targets that apply to individual NEOs.

The specific metrics and targets, and their relative weightings, are based upon the recommendation of our chief executive officer as to the measures that will best reflect performance during the applicable period. Targets are set to be challenging but achievable, with Corporate Factor and Organizational Factor targets generally more difficult than the Funding Factor target. Very strong performance is required to receive payouts above the target award opportunity, and weaker performance results in lower payouts. The Funding Factor and the Corporate Factor metrics and related targets are set by the committee, as are the Organizational Factor metrics and related targets for the vice chairman and chief executive officer and for the president and chief operating officer. The chief executive officer sets the Organizational Factors and related targets for the other NEOs. The committee obtains a view of combined corporate and organizational performance relative to the Corporate and Organizational Factors (which are each capped at 1.5) based on multiplying them, if one or both targets were achieved, or averaging them if neither was achieved. It then compares this result to the Funding Factor to determine whether and in what amount to exercise negative discretion.

Targets for the Funding Factor are set on an annual basis; targets for some of the other performance factors are set every six months to preserve the flexibility to make adjustments in response to changes in our highly cyclical business environment which are outside the control of management in order to motivate exceptional performance and deliver stockholder value throughout fluctuating business cycles.

We believe the targets and metrics selected by the committee have been effective to achieve pay-for-performance results, as illustrated in the following table:

Calendar Year	Average NEO's AIP Payout as % of Target Award Opportunity	Business Environment
2010	166%	Strong operating performance supported by semiconductor industry demand growth
2009	81%	Difficult business environment continues through the first half of calendar year 2009; improving conditions in the second half of calendar year 2009
2008	39%	Rapidly deteriorating economy and demand

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.

Calendar year 2010 AIP payouts.

In February 2010, the committee approved the following target AIP award opportunities for calendar year 2010 for the NEOs:

Name	Target Award Opportunity (% of Base Salary Earned)
Mr. Newberry	150%
Mr. Anstice	85%
Mr. Maddock	80%
Dr. Gottscho	80%
Ms. O'Dowd	75%

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. The cap on the award that may be achieved was set at 2.25 times the target award amount.

The committee set the 2010 Funding Factor metric and targets based on a scale of non-GAAP operating income as a percentage of revenue. It was set so that the maximum award opportunity would be available to participants if non-GAAP operating income was greater than 25% of revenue for the first half of calendar year 2010 and at least 20% of revenue for the second half of calendar year 2010. Based on calendar year 2010 non-GAAP operating income of 26% of revenue, the Funding Factor resulted in potential payouts at a factor of 1.97 times the target award opportunity.

The committee set the calendar year 2010 AIP Corporate Factor metric and targets based on non-GAAP operating income. The Corporate Factor and related targets were set in February 2010 for the first half of the year, and in August 2010 for the second half of the year. The calendar year 2010 first half target was non-GAAP operating income of 22% of revenue (based on $1.25 billion of revenue), and the second half target was non-GAAP operating income of 23% of revenue (based on $1.65 billion of revenue). Actual non-GAAP operating income for the first half of calendar year 2010 was 24.2% of revenue and for the second half of calendar year 2010 was 27.4% of revenue, yielding a Corporate Factor result for calendar year 2010 of 1.28.

The Organizational Factor for Mr. Newberry was based 50% on non-GAAP cash from operations, 30% on Etch market share, and 20% on Clean market share. The Organizational Factor for Mr. Anstice was based 50% on non-GAAP cash from operations and 50% on the average Organizational Factors of all organizations reporting to him. For other NEOs, the specific Organizational Factors related to market share and/or performance specific to the business units they manage. The non-GAAP cash from operations target was set in February for the first half of the year, and in August for the second half of the year. The first half target was 24% of revenue (based on $1.25 billion of revenue) with a minimum and maximum non-GAAP cash from operations of 15% and 29% respectively; and the second half target was 25% of revenue (based on $1.65 billion of revenue) with a minimum and maximum non-GAAP cash from operations of 16% and 30% respectively. Actual non-GAAP cash from operations for the first half of calendar year 2010 was 24.9% of revenue, and for the second half was 27.4% of revenue, yielding a performance factor of 1.17.

The Organizational Factors for each NEO and the results determined by the committee are shown in the following chart:

Name	Components and Weighting of Organizational Factors	Component Results	Organizational Factor Results
Mr. Newberry	Non-GAAP cash from operations: 50%	1.17	1.26
	Etch market share: 30%	1.5	
	Clean market share: 20%	1.1	
Mr. Anstice	Non-GAAP cash from operations: 50%	1.17	1.16
	Average organizational factors of all organizations reporting to Mr. Anstice: 50%	1.15	
Mr. Maddock	Achievement of strategic and organizational goals for finance, Silfex and global information systems organizations: 100%	1.20	1.20
Dr. Gottscho	Etch market share, Etch margins and cost metrics, and customer productivity: 100%	1.25	1.25
Ms. O'Dowd	Achievement of strategic and organizational goals for global human resources and legal organizations: 100%	1.185	1.185

After considering the product of the Corporate and Organizational Factors, the committee exercised negative discretion against the Funding Factor result to reach payout amounts that the committee believes reflect overall Company performance, the performance of the leadership team as a whole, and the performance of each individual NEO in the rapidly changing business environment of calendar year 2010. Final 2010 AIP awards were determined for each NEO as follows:

Name	Actual Award	% of Target
Mr. Newberry	$2,166,048	173%
Mr. Anstice	$ 629,285	159%
Mr. Maddock	$ 591,375	164%
Dr. Gottscho	$ 508,144	171%
Ms. O'Dowd	$ 435,498	162%

2011 AIP targets. In February 2011, the committee approved the following target AIP award opportunities for our NEOs for calendar year 2011:

Name	Target Award Opportunity (% of Base Salary Earned)
Mr. Newberry	150%
Mr. Anstice	100%
Mr. Maddock	85%
Dr. Gottscho	85%
Ms. O'Dowd	75%

In February 2011, the committee also approved the maximum payout opportunity for calendar year 2011 equal to 2.25 times the target award, approved a Funding Factor based on non-GAAP operating income as a percentage of revenue, and approved a Corporate Factor based on non-GAAP operating income and non-GAAP cash from operations. Organizational Factors and targets have also been set.

Long-Term Incentive Program ("LTIP")

The LTIP is the Company's vehicle for delivering long-term cash and equity compensation, which are important elements of our executive compensation program. The LTIP operates over two calendar-year performance cycles. For example, the 2009/2010 LTIP cycle covers calendar years 2009 and 2010. For each cycle, equity vesting occurs and cash payments are made in the calendar year following the end of the cycle on an "Award Determination Date." For example, the Award Determination Date for the 2009/2010 Cash LTIP cycle was in February 2011. An executive officer generally must be continuously employed by us through the Award Determination Date in order to achieve vesting and payment for an LTIP cycle.

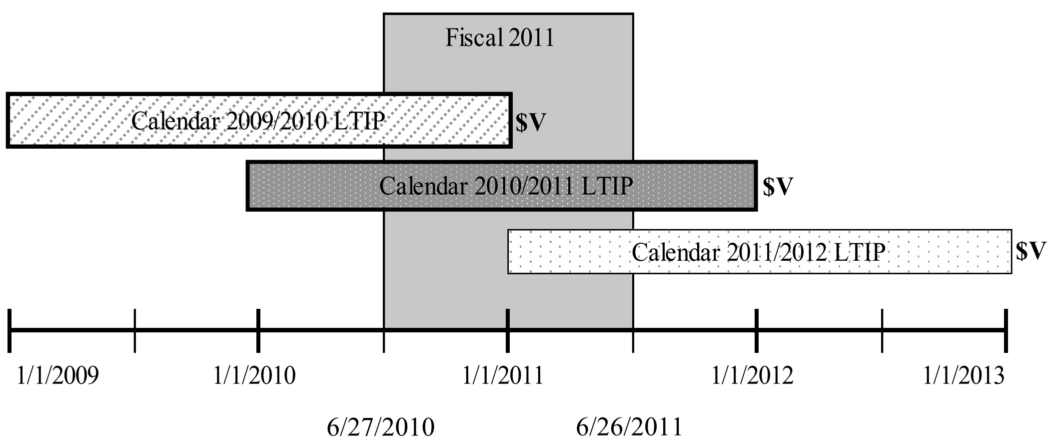
Consistent with our philosophy of paying for performance, the LTIP is 75% performance based and 25% service based. The performance-based elements of the program include (i) the Cash LTIP portion of the award (50% of the total LTIP award), which is based on achieving pre-established performance targets, and (ii) one-half of the equity award portion of the LTIP award (25% of the total LTIP award), which is delivered through performance-based equity, either performance-vested RSUs or stock options. The remaining one-half of the LTIP equity award portion (25% of the total LTIP award) is delivered through service-vested RSUs. The performance-based equity component of the LTIP is reviewed annually to determine whether performance-based RSUs or stock options are the most appropriate form for the award based on criteria such as the current business 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 for the 2010/2011 and 2011/2012 LTIPs, the committee made awards 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. The target amounts for each NEO under the various two-year LTIP program cycles (which includes both the Cash LTIP and Equity LTIP awards) are as follows:

Named Executive Officer	LTIP Cycle	Target Amount
Stephen G. Newberry	2009/2010	$4,000,000
	2010/2011	$4,500,000
	2011/2012	$4,500,000
Martin B. Anstice	2009/2010	$1,750,000
	2010/2011	$2,000,000
	2011/2012	$2,400,000
Ernest E. Maddock	2009/2010	$1,600,000
	2010/2011	$1,600,000
	2011/2012	$1,600,000
Richard A. Gottscho	2009/2010	$1,260,000
	2010/2011	$1,350,000
	2011/2012	$1,600,000
Sarah A. O'Dowd	2009/2010	$1,250,000
	2010/2011	$1,250,000
	2011/2012	$1,250,000

Because each LTIP cycle covers performance in two calendar years, three LTIP cycles affect NEO compensation during each fiscal year. The LTIP cycles that affect NEO compensation for fiscal year 2011 (which is reported in the Summary Compensation Table) are shown in the following chart:

LTIP Compensation Cycles



Note: $V indicates timing of cash payment and equity vesting under indicated cycle

Cash LTIP. The Cash LTIP is a long-term cash incentive program designed to provide competitive levels of compensation to and reward our senior executives for Company performance and stock price appreciation over a performance period. It is also designed to match the performance-based compensation expenses of the Cash LTIP to the periods in which the corporate performance occurs.

One half of the total LTIP target award shown in the table above is made available under the Cash LTIP; and one half of that amount is allocated to each year during the LTIP cycle. Cash LTIP awards are capped at 2.5 times these target amounts.

The committee sets performance metrics and targets under the Cash LTIP, which it believes align pay to performance. The performance metrics are set annually under each two-year plan cycle. The committee set the performance metric for the calendar year 2009 portion of the 2009/2010 Cash LTIP cycle as non-GAAP operating cash flow; and set the performance metric for the calendar year 2010 portion of the 2009/2010 and 2010/2011 Cash LTIP cycles, and for the 2011 calendar year portion of the 2010/2011 and 2011/2012 Cash LTIP cycles, as non-GAAP operating income. Because of the extremely cyclical nature of the Company's business, targets against those metrics are reviewed every six months. This flexibility allows the committee to react to changes in the external business environment in order to motivate exceptional performance and deliver stockholder value in response to changes in the external business environment during the two-year cycle.

In addition to aligning pay to performance, the Cash LTIP augments payouts to our senior executives in periods of stock price appreciation. Results determined by reference to the performance metric are adjusted based on stock price appreciation. The adjustment is determined based on a ratio of (x) the market price of our common stock over a 50-trading-day period to (y) the market price of our common stock over a 200-trading-day period. Thus the payout amount is determined by achievement against the performance metric and targets, augmented to reflect stock price appreciation. Payouts are subject to a cap of 2.5 times the Target Amount, and the ability of the committee to exercise negative discretion. Payment is made at the Award Determination Date, subject to continued employment by us.

We believe the targets and metrics selected by the committee have been effective to achieve pay-for-performance results. Payouts under the Cash LTIP over the past three LTIP cycles have ranged from 59% to 119% of target, as shown in the table below, reflecting the business environments existing during these LTIP cycles.

Cash LTIP Cycle	Average Cash LTIP Award as % of Target	Business Environment
2009/2010	119%	Industry rebound beginning in 2009
2008/2009	59%	Weak economy; weak semiconductor demand environment
2007/2008	106%	Strong 2007; severe economic decline beginning mid 2008

2009/2010 Cash LTIP payouts. The Award Determination Date for the 2009/2010 Cash LTIP cycle occurred in February 2011, and results were determined and payments made at that time.

The performance metric for the calendar year 2009 portion of the 2009/2010 Cash LTIP cycle was non-GAAP operating cash flow. Performance was measured against a sliding scale from 0% to 120% based on the Company's performance. The first half of calendar year 2009 operating target was $7 million in non-GAAP cash from operations (based on $350 million in revenue), and the second half of calendar year 2009 operating target was $11 million in non-GAAP cash from operations (based on $628 million in revenue). The calendar year 2009 first half performance was non-GAAP cash from operations of $37 million on revenue of $392 million, and the calendar year 2009 second half performance was non-GAAP cash from operations of $111 million on revenue of $806 million. This cash performance on a higher actual revenue base resulted in a performance factor result for the first half of calendar year 2009 of 0.66 and for the second half of calendar year 2009 of 0.50, reflecting the difficult economic and business environment in which we operated during calendar year 2009.

The performance metric for the calendar year 2010 portion of the 2009/2010 Cash LTIP cycle was non-GAAP operating income. The target for the first half of calendar year 2010 was non-GAAP operating income of 22% of revenue (based on $1.25 billion of revenue), and for the second half of calendar year 2010 non-GAAP operating income of 23% of revenue (based on $1.65 billion of revenue). The calendar year 2010 first half performance was revenue of $1.33 billion and non-GAAP operating income of 24.2% of revenue, and the calendar year 2010 second half performance was revenue of $1.68 billion and non-GAAP operating income of 27.4% of revenue. This performance resulted in a performance factor result for the first half of calendar year 2010 of 1.17 and for the second half of calendar year 2010 of 1.21, reflecting the improved economic and business environment in which we operated during calendar year 2010.

The average stock price modifiers for 2009 and 2010 were 1.05 and 1.49 respectively, based on the 50-day moving stock price average at the end of each quarter over the 200-day moving average of $32.32 for 2009 and $30.32 for 2010, set at the beginning of each calendar year.

Final cash awards were as follows:

2009/2010 LTIP Cash Awards

Name	**Target Two-Year Cash Award;** (split evenly between CY 2009 and CY 2010)	**Total Payout for CY 2009 portion**	**% of CY 2009 Target**	**Total Payout for CY 2010 portion**	**% of CY 2010 Target**	**Total Two-Year Payout**	**Total Payout as % of Two-Year Target**
Stephen G. Newberry	$2,000,000	$602,825	60.3%	$1,780,899	178.1%	$2,383,724	119.2%
Martin B. Anstice	$ 875,000	$263,736	60.3%	$ 779,143	178.1%	$1,042,879	119.2%
Ernest E. Maddock	$ 800,000	$241,130	60.3%	$ 712,360	178.1%	$ 953,490	119.2%
Richard A. Gottscho	$ 630,000	$189,890	60.3%	$ 560,983	178.1%	$ 750,873	119.2%
Sarah A. O'Dowd	$ 625,000	$188,383	60.3%	$ 556,531	178.1%	$ 744,914	119.2%

2010/2011 Cash LTIP. Under the 2010/2011 Cash LTIP, the Award Determination Date will be in February 2012, subject to and based on achievement of the non-GAAP operating profit targets and continued employment by us. The target cash award for each NEO under the 2010/2011 Cash LTIP are shown in the table below.

Name	**Target Two-Year Cash Award** (split evenly between CY 2010 and CY 2011)
Stephen G. Newberry	$2,250,000
Martin B. Anstice	$1,000,000
Ernest E. Maddock	$ 800,000
Richard A. Gottscho	$ 675,000
Sarah A. O'Dowd	$ 625,000

2011/2012 Cash LTIP. Under the 2011/2012 Cash LTIP, the Award Determination Date will be in 2013, subject to and based on achievement of the performance targets and continued employment by us. The calendar year 2011 performance metric is non-GAAP operating profit. The target cash award for each NEO under the 2011/2012 Cash LTIP are shown in the table below.

Name	**Target Two-Year Cash Award** (split evenly between CY 2011 and CY 2012)
Stephen G. Newberry	$2,250,000
Martin B. Anstice	$1,200,000
Ernest E. Maddock	$ 800,000
Richard A. Gottscho	$ 800,000
Sarah A. O'Dowd	$ 625,000

Equity LTIP. The Equity LTIP is an equity incentive program designed to provide competitive levels of compensation to and reward our senior executives for Company performance and stock price appreciation over a performance period, using both performance-based and service based awards. One half of the target award for an LTIP cycle is made available under the Equity LTIP. Half of that is awarded in performance-based awards, either stock options or performance-based RSUs, and half in service-based awards. Awards vest on the Award Determination Date following the two-year LTIP cycle, depending on continued employment with us and, in the case of performance-based RSUs, on performance against specified metrics.

2009/2010 Equity LTIP vesting. Under the 2009/2010 Equity LTIP, each NEO received, on February 26, 2009, a grant of stock options and service-based RSUs. These awards vested in full on the Award Determination Date of February 26, 2011, the second anniversary of the grant date:

Name	Target Dollar Amount	Vested RSUs	Vested Options
Stephen G. Newberry	$2,000,000	49,480	123,700
Martin B. Anstice	$ 875,000	21,648	54,120
Ernest E. Maddock	$ 800,000	19,792	49,480
Richard A. Gottscho	$ 630,000	15,586	38,965
Sarah A. O'Dowd	$ 625,000	15,463	38,658

The number of RSUs granted equaled one-half the target dollar amount for the equity portion of the 2009/2010 LTIP divided by $20.21, the closing price of our common stock on the grant date. The number of stock option shares equals 2.5 times the number of RSU shares.

2010/2011 Equity LTIP awards. Under the 2010/2011 Equity LTIP, each NEO received, on February 5, 2010, a grant of performance-based and service-based RSUs. To determine the number of performance-based and service-based RSUs, one-half of the NEO's Equity LTIP target dollar amount was divided by $33.29, the closing price of our common stock on the grant date. The performance-based RSUs will vest on the second anniversary of the grant date in February 2012, subject to and based on performance against non-GAAP operating profit targets and continued employment by us. The service-based RSUs vest on the second anniversary of the grant date based on continued employment by us.

The equity awards for the NEOs were as follows:

Named Executive Officer	Target Dollar Amount	Service-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
Sarah A. O'Dowd	$ 625,000	9,387	9,387

2011/2012 Equity LTIP Awards. Under the Equity LTIP for 2011/2012, each NEO received, on March 4, 2011, a grant of performance based and service-based RSUs. To determine the number of performance-based and service-based RSUs, one-half of the NEO's Equity LTIP target dollar amount was divided by $58.27, the closing price of our common stock on the grant date. The performance-based RSUs vest on the second anniversary of the grant date in March 2013, subject to and based on performance against the operating profit targets and continued employment by us. The service-based RSUs vest on the second anniversary of the grant date based on continued employment by us.

The equity awards for the NEOs were as follows:

Named Executive Officer	Target Dollar Amount	Service-based Restricted Stock Units Award	Performance-based Restricted Stock Units Award
Stephen G. Newberry	$2,250,000	19,306	19,306
Martin B. Anstice	$1,200,000	10,296	10,296
Ernest E. Maddock	$ 800,000	6,864	6,864
Richard A. Gottscho	$ 800,000	6,864	6,864
Sarah A. O'Dowd	$ 625,000	5,362	5,362

Other Equity Awards. On February 18, 2011, Dr. Gottscho received a performance-based RSU grant for 8,000 shares under the Global Products Group Key Incentive Plan, which awards RSUs to key product executives based on the achievement of specified goals.

Employment/Change in Control Arrangements

The Company has entered into employment agreements with Messrs. Newberry, Anstice, and Maddock, and change in control agreements with our other executive officers, including Dr. Gottscho, and Ms. O'Dowd. The Company entered into these agreements to assist with attraction and retention of our NEOs and believes that these agreements help facilitate a smooth transaction and transition in connection with a change-in-control event.

The employment agreements generally provide for designated payments in the event of an "involuntary termination" of employment, "death," or "disability," as each is defined in the applicable agreements. The employment agreements, and also the change in control agreements, generally provide for designated payments in the case of a "change in control" when coupled with an "involuntary termination" (*i.e.* a double trigger is required before payment is made due to a change in control), as each is defined in the applicable agreements.

For additional information and detail about post-termination payments under these arrangements, see the "Grants of Plan-Based Awards for Fiscal Year 2011" table and "Outstanding Equity Awards at 2011 Fiscal Year-End" table for more information about the employment agreements, and the "Potential Payments Upon Termination or Change in Control" table.

Other Benefits Not Available to All Employees

Elective Deferred Compensation Plan. The Company maintains an elective deferred compensation plan that allows eligible employees (including all of the NEOs) to voluntarily defer receipt of all or a portion of base salary and certain incentive compensation payments until a date or dates elected by the participating employee. This allows the employee to defer taxes on compensation amounts that are deferred. In addition, we provide a limited Company contribution to the EDCP for all eligible employees.

Supplemental Health and Welfare Benefits. We provide certain health and welfare benefits not generally available to 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 post-retirement medical and dental insurance coverage for eligible former executive officers under our Executive Retirement Medical and Dental Plan, subject to certain eligibility requirements. We have an independent actuarial valuation of this post-retirement benefit conducted annually in accordance with generally accepted accounting principles. The most recent valuation was conducted in June 2011 and reflected the following retirement benefit obligation for the NEOs:

Name	Fiscal Year 2011
Stephen G. Newberry	$367,000
Martin B. Anstice	$204,000
Ernest E. Maddock	$417,000
Richard A. Gottscho	$359,000
Sarah A. O'Dowd	$140,000

V. 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 vice chairman and 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.

When we design our executive compensation program, we take into account whether a particular form of compensation will be considered "performance-based" compensation for purposes of section 162(m).

To facilitate the deductibility of compensation payments under section 162(m), in fiscal year 2004, we adopted the Executive Incentive Plan ("EIP") and obtained stockholder approval for the EIP at that time and again in calendar year 2010. Both the AIP ("Annual Incentive Program") and the LTIP ("Long-term Incentive Program") are administered under the EIP. The AIP awards and the LTIP cash awards to our NEOs generally qualify for deductibility under section 162(m) to the extent practicable.

Consistent with the EIP and the regulations under section 162(m), compensation income realized upon the exercise of stock options granted under our LTIP generally will be deductible because the awards are granted by a committee whose members are outside directors and the other conditions of the EIP are satisfied. However, compensation associated with RSUs granted under the LTIP or under the Global Products Group Key Incentive Plan is deductible only to the extent that vesting is based on specific performance goals and the other conditions of the EIP are satisfied. Therefore, compensation income realized upon the vesting of service-based RSUs or upon the vesting of equity awards not meeting the conditions required by the EIP is not deductible to the Company to the extent that the threshold is exceeded.

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 "disqualified individuals" within the meaning of the Code (which generally includes certain officers, directors and employees of the Company) may be subject to additional taxes if they receive payments or benefits in connection with a change in 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 year 2011, 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 non-compliant "deferred compensation" that is within the scope of section 409A. Among other things, section 409A potentially applies to the cash awards under the LTIP, the Elective Deferred Compensation Plan, certain equity awards, and severance arrangements.

To assist our employees in avoiding additional taxes under section 409A, we have structured the LTIP, the Elective Deferred Compensation Plan, and our equity awards in a manner intended to qualify them for exclusion from or compliance with section 409A.

Accounting for Stock-Based Compensation

We follow Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("ASC 718") for accounting 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. ASC 718 also requires companies to recognize the compensation cost of 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 Compensation 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.

COMPENSATION COMMITTEE

Grant M. Inman (Chair)
Robert M. Berdahl
Michael R. Cannon
Christine A. Heckart
Abhijit Y. Talwalkar

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 year 2011 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 ($)	Nonqualified Deferred Compensation Earnings ($) (16)	All Other Compensation ($) (17)	Total ($)
Stephen G. Newberry . . Chief Executive Officer and Vice Chairman	2011	$857,852	$ 0	$2,249,921	$ 0	$6,274,853(3)	$0	$10,619	$9,393,245
	2010	$737,473	$ 0	$2,249,938	$ 0	$3,211,287(4)	$0	$11,184	$6,209,882
	2009	$746,154	$ 0	$ 999,991	$969,234	$1,550,036(5)	$0	$ 9,876	$4,275,291
Martin B. Anstice . . . . . President and Chief Operating Officer	2011	$512,738	$ 0	$1,199,896	$ 0	$2,518,831(6)	$0	$16,459	$4,247,924
	2010	$425,141	$ 0	$ 999,965	$ 0	$1,385,442(7)	$0	$16,857	$2,827,405
	2009	$415,865	$ 0	$ 437,506	$424,050	$ 733,090(8)	$0	$15,767	$2,026,278
Ernest E. Maddock . . . . Senior Vice President and Chief Financial Officer	2011	$457,194	$ 0	$ 799,931	$ 0	$2,096,358(9)	$0	$18,069	$3,371,552
	2010	$415,693	$ 0	$ 799,959	$ 0	$1,224,780(10)	$0	$17,987	$2,458,419
	2009	$412,846	$102,649(18)	$ 399,996	$387,694	$ 687,125(11)	$0	$10,794	$2,001,104
Richard A. Gottscho . . . Senior Vice President, Global Products	2011	$396,781	$ 0	$1,248,731	$ 0	$1,799,597(12)	$0	$18,913	$3,464,022
	2010	$345,363	$ 28,918(19)	$1,607,108	$ 0	$ 995,312(13)	$0	$41,719	$3,018,420
	2009	$346,154	$ 0	$ 708,913	$305,305	$ 495,880(14)	$0	$14,539	$1,870,791
Sarah A. O'Dowd. . . . . . Group Vice President, Human Resources and Chief Legal Officer	2011	$363,753	$ 0	$ 624,887	$ 0	$1,611,267(15)	$0	$16,783	$2,616,690

(1) The amounts shown in this column represent the value of restricted stock unit awards granted during fiscal year 2011 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 2011 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 26, 2011. 2009 amounts were recalculated to reflect a change in stock valuation methodology from FAS 123(R) to ASC 718.

(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 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 28, 2009.

(3) Represents $2,166,049 earned by Mr. Newberry under the 2010 AIP, $991,698 accrued on Mr. Newberry's behalf for performance during fiscal year 2011 under the 2009/2010 Cash LTIP, $2,326,259 accrued on Mr. Newberry's behalf for performance during fiscal year 2011 under the 2010/2011 Cash LTIP, and $790,847 accrued on Mr. Newberry's behalf for performance during fiscal year 2011 under the 2011/2012 Cash LTIP. Mr. Newberry has received the amounts accrued under the 2009/2010 Cash LTIP, and will be eligible to receive the amounts accrued under the 2010/2011 and 2011/2012 Cash LTIPs if he remains employed by the Company through the respective award determination dates in February 2012 or February 2013.

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

(5) 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 Cash LTIP, $797,313 accrued on Mr. Newberry's behalf for performance during fiscal 2009 under the 2008/2009 Cash LTIP, and $330,000 accrued on Mr. Newberry's behalf for performance during fiscal 2009 under the 2009/2010 Cash LTIP. Mr. Newberry has received the amounts accrued under the 2007/2008, 2008/2009, and 2009/2010 Cash LTIPs.

(6) Represents $629,285 earned by Mr. Anstice under the 2010 AIP, $433,868 accrued on Mr. Anstice's behalf for performance during fiscal year 2011 under the 2009/2010 Cash LTIP, $1,033,893 accrued on Mr. Anstice's behalf for performance during fiscal year 2011 under the 2010/2011 Cash LTIP, and $421,785 accrued on Mr. Anstice's behalf for performance during fiscal year 2011 under the 2011/2012 Cash LTIP. Mr. Anstice has received the amounts accrued under the 2009/2010 Cash LTIP, and will be eligible to receive the amounts accrued under the 2010/2011 and 2011/2012 Cash LTIPs if he remains employed by the Company through the respective award determination dates in February 2012 or February 2013.

(7) Represents $287,482 earned by Mr. Anstice pursuant to the 2009 AIP, $238,722 accrued on Mr. Anstice's behalf for performance during fiscal year 2010 under the 2008/2009 Cash LTIP, $464,637 accrued on Mr. Anstice's behalf for performance during fiscal year 2010 under the 2009/2010 Cash LTIP, and $394,601 accrued on Mr. Anstice's behalf for performance during fiscal year 2010 under the 2010/2011 Cash LTIP. Mr. Anstice has received the amounts accrued under the 2008/2009 Cash LTIP and the 2009/2010 Cash LTIP, and will be eligible to receive the amounts accrued under the 2010/2011 Cash LTIP if he remains employed by the Company through the payment determination date in February 2012.

(8) 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 Cash LTIP, $371,732 accrued on Mr. Anstice's behalf for performance during fiscal 2009 under the 2008/2009 Cash LTIP, and $144,375 accrued on Mr. Anstice's behalf for performance during fiscal 2009 under the 2009/2010 Cash LTIP. Mr. Anstice has received the amounts accrued under the 2007/2008, 2008/2009, and 2009/2010 Cash LTIPs.

(9) Represents $ 591,375 earned by Mr. Maddock under the 2010 AIP, $396,679 accrued on Mr. Maddock's behalf for performance during fiscal year 2011 under the 2009/2010 Cash LTIP, $827,114 accrued on Mr. Maddock's behalf for performance during fiscal year 2011 under the 2010/2011 Cash LTIP, and $281,190 accrued on Mr. Maddock's behalf for performance during fiscal year 2011 under the 2011/2012 Cash LTIP. Mr. Maddock has received the amounts accrued under the 2009/2010 Cash LTIP, and will be eligible to receive the amounts accrued under the 2010/2011 and 2011/2012 Cash LTIPs if he remains employed by the Company through the respective award determination dates in February 2012 or February 2013.

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

(11) 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 Cash LTIP, $338,794 accrued on Mr. Maddock's behalf for performance during fiscal 2009 under the 2008/2009 Cash LTIP, and $132,000 accrued on Mr. Maddock's behalf for performance during fiscal 2009 under the 2009/2010 Cash LTIP. Mr. Maddock has received the amounts accrued under the 2007/2008 2008/2009, and 2009/2010 Cash LTIPs.

(12) Represents $508,144 earned by Dr. Gottscho under the 2010 AIP, $312,385 accrued on Dr. Gottscho's behalf for performance during fiscal year 2011 under the 2009/2010 Cash LTIP, $697,878 accrued on Dr. Gottscho's behalf for performance during fiscal year 2011 under the 2010/2011 Cash LTIP, and $281,190 accrued on Dr. Gottscho's behalf for performance during fiscal year 2011 under the 2011/2012 Cash LTIP. Dr. Gottscho has received the amounts accrued under the 2009/2010 Cash LTIP, and will be eligible to receive the amounts accrued under the 2010/2011 and 2011/2012 Cash LTIPs if he remains employed by the Company through the respective award determination dates in February 2012 or February 2013.

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

(14) 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 Cash LTIP, and $103,950 accrued on Dr. Gottscho's behalf for performance during fiscal 2009 under the 2009/2010 Cash LTIP. Dr. Gottscho has received the amounts accrued under the 2008/2009 and 2009/2010 Cash LTIPs.

(15) Represents $435,498 earned by Ms. O'Dowd under the 2010 AIP, $309,906 accrued on Ms. O'Dowd's behalf for performance during fiscal year 2011 under the 2009/2010 Cash LTIP, $646,183 accrued on Ms. O'Dowd's behalf for performance during fiscal year 2011 under the 2010/2011 Cash LTIP, and $219,680 accrued on Ms. O'Dowd's behalf for performance during fiscal year 2011 under the 2011/2012 Cash LTIP. Ms. O'Dowd has received the amounts accrued under the 2009/2010 Cash LTIP, and will be eligible to receive the amounts accrued under the 2010/2011 and 2011/2012 Cash LTIPs if she remains employed by the Company through the respective award determination dates in February 2012 or February 2013.

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

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

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

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

All Other Compensation for Fiscal Year 2011

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)	Total
Stephen G. Newberry	2011	$ 0	$ 370	$1,320	$8,929	$10,619
Martin B. Anstice	2011	$6,234	$ 0	$1,296	$8,929	$16,459
Ernest E. Maddock	2011	$7,549	$ 929	$1,289	$8,302	$18,069
Richard A. Gottscho	2011	$8,067	$1,174	$1,235	$8,437	$18,913
Sarah A. O'Dowd	2011	$7,253	$ 0	$1,228	$8,302	$16,783

(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.

Grants of Plan-Based Awards for Fiscal Year 2011

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 Securities Underlying Options (#)	Grant Date Fair Value of Stock and Option Awards ($) (5)
Stephen G. Newberry. . .	Annual Incentive Program	N/A	2/7/2011	$1,328,000	$2,988,000	0	0	0	$ 0
	Equity LTIP	3/4/2011	2/7/2011	$ 0	$ 0	19,306	19,306	0	$2,249,921
	Cash LTIP	N/A	2/7/2011	$2,250,000	$5,625,000	0	0	0	$ 0
Martin B. Anstice.	Annual Incentive Program	N/A	2/7/2011	$ 550,000	$1,238,000	0	0	0	$ 0
	Equity LTIP	3/4/2011	2/7/2011	$ 0	$ 0	10,296	10,296	0	$1,199,896
	Cash LTIP	N/A	2/7/2011	$1,200,000	$3,000,000	0	0	0	$ 0
Ernest E. Maddock.	Annual Incentive Program	N/A	2/7/2011	$ 400,000	$ 900,000	0	0	0	$ 0
	Equity LTIP	3/4/2011	2/7/2011	$ 0	$ 0	6,864	6,864	0	$ 799,931
	Cash LTIP	N/A	2/7/2011	$ 800,000	$2,000,000	0	0	0	$ 0
Richard A. Gottscho. . . .	Annual Incentive Program	N/A	2/7/2011	$ 361,000	$ 812,000	0	0	0	$ 0
	Equity LTIP	3/4/2011	2/7/2011	$ 0	$ 0	6,864	6,864	0	$ 799,931
	Cash LTIP	N/A	2/7/2011	$ 800,000	$2,000,000	0	0	0	$ 0
	Performance-Based RSU (2)	2/18/2011	2/7/2011	$ 0	$ 0	8,000	0	0	$ 448,800
Sarah A. O'Dowd	Annual Incentive Program	NA	2/7/2011	$ 281,000	$ 632,000	0	0	0	$ 0
	Equity LTIP	3/4/2011	2/7/2011	$ 0	$ 0	5,362	5,362	0	$ 624,887
	Cash LTIP	NA	2/7/2011	$ 625,000	$1,562,500	0	0	0	$ 0

(1) Base salary used to calculate the AIP target was base salary approved in February 2011. Actual eligible base earnings under the AIP could be different.

(2) Represents the performance-based Global Products Group Key Incentive Plan RSU program with a single estimated payout. Amount shown is for performance awards granted during fiscal year 2011.

(3) Represents RSUs with performance-based vesting.

(4) Represents RSUs with service-based vesting.

(5) The amounts shown in this column represent the value of restricted stock unit awards granted during fiscal year 2011 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 2011 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 26, 2011.

Outstanding Equity Awards at 2011 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 ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) (1)	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 ($) (1)
Stephen G. Newberry . . .	0	0	$ 0	N/A	33,793[2]	$1,460,533	33,793[3]	$1,460,533
	0	0	$ 0	N/A	19,306[4]	$ 834,405	19,306[5]	$ 834,405
	123,700[6]	0	$ 20.21	2/26/2014	0	$ 0	0	$ 0
Martin B. Anstice	0	0	$ 0	N/A	15,019[2]	$ 649,121	15,019[3]	$ 649,121
	0	0	$ 0	N/A	10,296[4]	$ 444,993	10,296[5]	$ 444,993
	29,120[6]	0	$ 20.21	2/26/2014	0	$ 0	0	$ 0
Ernest E. Maddock	0	0	$ 0	N/A	12,015[2]	$ 519,288	12,015[3]	$ 519,288
	0	0	$ 0	N/A	6,864[4]	$ 296,662	6,864[5]	$ 296,662
	24,480[6]	0	$ 20.21	2/26/2014	0	$ 0	0	$ 0
Richard A. Gottscho	0	0	$ 0	N/A	10,138[2]	$ 438,164	10,138[3]	$ 438,164
	0	0	$ 0	N/A	6,864[4]	$ 296,662	6,864[5]	$ 296,662
	0	0	$ 0	N/A	0	$ 0	4,000[7]	$ 172,880
	0	0	$ 0	N/A	0	$ 0	8,000[8]	$ 345,760
Sarah A. O'Dowd	0	0	$ 0	N/A	9,387[2]	$ 405,706	9,387[3]	$ 405,706
	0	0	$ 0	N/A	5,362[4]	$ 231,746	5,362[5]	$ 231,746
	38,658[6]	0	$ 20.21	2/26/2014	0	$ 0	0	$ 0

(1) Calculated by multiplying the number of unvested shares by $43.22, the closing price per share of our common stock on June 24, 2011.

(2) 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.

(3) 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.

(4) RSUs were granted on March 4, 2011. 100% of the RSUs will vest on March 4, 2013 provided that the person remains an employee on such date.

(5) RSUs were granted on March 4, 2011 and are subject to performance criteria and continued service. 100% of the RSUs will vest on March 4, 2013 provided that the performance criterion has been met and the person remains an employee on such date.

(6) Options were granted on February 26, 2009. 100% of the options vested on February 26, 2011.

(7) RSUs were granted on February 5, 2010 and are subject to performance criteria and continued service. 100% of the RSUs will vest on January 1, 2012 provided that the performance criterion has been met and the person remains an employee on such date.

(8) RSUs were granted on February 18, 2011 and are subject to performance criteria and continued service. 100% of the RSUs will vest on January 1, 2012 provided that the performance criterion has been met and the person remains an employee on such date.

Option Exercises and Stock Vested for Fiscal Year 2011

Name	Option Awards (1) Number of Shares Acquired on Exercise (#)	Option Awards (1) Value Realized on Exercise ($)	Stock Awards (1) Number of Shares Acquired on Vesting (#)	Stock Awards (1) Value Realized on Vesting ($)
Stephen G. Newberry	0	$ 0	49,480	$2,738,718
Martin B. Anstice	27,849	$ 759,421	21,648	$1,198,217
Ernest E. Maddock	28,050	$1,005,113	19,792	$1,095,487
Richard A. Gottscho	38,965	$1,365,926	52,586	$2,574,045
Sarah A. O'Dowd	0	$ 0	15,463	$ 855,877

(1) The table shows all stock options exercised and the value realized upon exercise, and all stock awards vested and the value realized upon vesting, by the NEOs during fiscal year 2011, which ended on June 26, 2011.

Non-Qualified Deferred Compensation for Fiscal Year 2011

Name	Executive Contributions in FY11 ($)	Registrant Contributions in FY11 ($) (1)	Aggregate Earnings in FY11 ($) (2)	Aggregate Withdrawals/ Distributions in FY11 ($)	Aggregate Balance at FYE11 ($)
Stephen G. Newberry	$ 0	$ 0	$ 58,793	$0	$1,225,817
Martin B. Anstice	$860,233	$2,500	$318,864	$0	$2,320,705
Ernest E. Maddock	$409,048	$ 674	$906,309	$0	$9,294,794
Richard A. Gottscho	$ 0	$ 0	$ 89,551	$0	$1,525,072
Sarah A. O'Dowd	$271,219	$2,500	$ 1,801	$0	$ 383,292

(1) Represents the amount that the Company credited to the Elective Deferred Compensation Plan ("EDCP"), which is 3% of Executive Contribution during calendar year 2010, to a maximum benefit of $2,500.

(2) The NEOs did not receive above-market or preferential earnings in fiscal year 2011.

Employment/Change in Control Arrangements

Employment Agreements

Stephen G. Newberry

The Company and Mr. Newberry entered into an employment agreement, effective July 1, 2009, for a term of three years, subject to the right of the Company or Mr. Newberry, under certain circumstances, to terminate the agreement prior to such time.

Under the terms of the agreement, Mr. Newberry will receive a base salary. Effective April 2011, this base salary was adjusted to $885,000. 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 Mr. Newberry's agreement) of Mr. Newberry's employment occurs, other than in connection with a change in 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 in 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 in control, Mr. Newberry will be entitled to: 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; certain medical benefits; vesting, as of the date of termination, of the unvested stock option or RSU awards granted to Mr. Newberry prior to the change in control; and payment of any amounts accrued as of the change in 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.

Mr. Newberry's 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.

Martin B. Anstice

The terms of Mr. Anstice's agreement are substantively similar to those of Mr. Newberry's agreement. Effective March 2011, Mr. Anstice's salary was $550,000. Mr. Anstice is entitled to payment of twelve months' COBRA premiums in the event he is not eligible for the Company's Executive Retirement Medical and Dental Plan.

The severance terms of Mr. Anstice's agreement are generally similar to those of Mr. Newberry's 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 in control terms of Mr. Anstice's agreement are generally similar to those of Mr. Newberry's agreement, provided that Mr. Anstice will receive 12 months' base salary instead of 18 months' in the event of his Involuntary Termination.

Ernest E. Maddock

The terms of Mr. Maddock's agreement are substantively similar to those of Mr. Anstice's agreement. Effective April 2011, Mr. Maddock's salary was $471,000.

Change in Control Agreements

We entered into change in control agreements with Dr. Gottscho and Ms. O'Dowd, which provide that, if a change in control (defined as in Mr. Newberry's agreement) of the Company occurs during the period of employment of the applicable executive officer under the change in control agreement, and there is an Involuntary Termination (defined as in Mr. Newberry's 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 in control provisions of Messrs. Anstice and Maddock's agreements.

The change in 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 Dr. Gottscho and Ms. O'Dowd 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 the Company is not the surviving entity, (ii) a sale of substantially all of the Company'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 of Named Executives Officers Upon Termination or Change in Control. The tables below summarize the potential payments to our NEOs, assuming a change in control of the Company as of the end of fiscal year 2011. These amounts are calculated assuming that the employment termination or change in control occurs on the last day of fiscal year 2011, June 26, 2011. The closing price per share of our common stock on June 24, 2011, which was the last trading day of fiscal year 2011, was $43.22.

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	$ —	$ 885,000	$—	$1,327,500	$ 1,327,500
Short-term Incentive (5-year average)	$ —	$ —	$—	$1,219,043	$ 1,219,043
Short-term Incentive (pro rata 2011)	$ —	$ 663,750	$—	$ 663,750	$ 609,521
Long-term Incentives:					
2010-2011 Cash LTIP	$ —	$3,214,110	$—	$3,214,110	$ 3,776,610
2011-2012 Cash LTIP	$ —	$ 790,847	$—	$ 790,847	$ 2,478,347
Stock Options (Unvested and Accelerated)	$ —	$ —	$—	$ —	$ —
Restricted Stock Units (Unvested and Accelerated)	$ —	$2,781,783	$—	$1,947,378	$ 4,589,878
Benefits and Perquisites					
Health Benefit Continuation	$367,000	$ 367,000	$—	$ 367,000	$ 367,000
Total	**$367,000**	**$8,702,490**	**$—**	**$9,529,628**	**$14,367,899**

Mr. Anstice

Executive Benefits and Payments Upon Termination	Voluntary Termination	Involuntary Termination: Disability or Death	For Cause	Not for Cause	Change of Control
Compensation					
Severance	$ —	$ —	$ —	$ 550,000	$ 550,000
Short-term Incentive (5-year average)	$ —	$ —	$ —	$ 200,207	$ 400,414
Short-term Incentive (pro rata 2011)	$ —	$ 275,000	$ —	$ 275,000	$ 200,207
Long-term Incentives:					
2010-2011 Cash LTIP	$ —	$1,428,493	$ —	$1,428,493	$1,678,493
2011-2012 Cash LTIP	$ —	$ 421,785	$ —	$ 421,785	$1,321,785
Stock Options (Unvested and Accelerated)	$ —	$ —	$ —	$ —	$ —
Restricted Stock Units (Unvested and Accelerated)	$ —	$1,310,488	$ —	$ 865,495	$2,188,229
Benefits and Perquisites					
Health Benefit Continuation/COBRA Benefit	$ —	$ 28,711	$ —	$ 28,711	$ 28,711
Total	**$ —**	**$3,464,477**	**$ —**	**$3,769,691**	**$6,367,839**

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	$ —	$ —	$ —	$ 471,000	$ 471,000
Short-term Incentive (5-year average)	$ —	$ —	$ —	$ 200,054	$ 400,107
Short-term Incentive (pro rata 2011)	$ —	$ 200,175	$ —	$ 200,175	$ 200,054
Long-term Incentives:					
2010-2011 Cash LTIP	$ —	$1,142,795	$ —	$1,142,795	$1,342,795
2011-2012 Cash LTIP	$ —	$ 281,190	$ —	$ 281,190	$ 881,190
Stock Options (Unvested and Accelerated)	$ —	$ —	$ —	$ —	$ —
Restricted Stock Units (Unvested and Accelerated)	$ —	$ 989,046	$ —	$ 692,384	$1,631,901
Benefits and Perquisites					
Health Benefit Continuation/COBRA Benefit	$ —	$ 22,766	$ —	$ 22,766	$ 22,766
Total	**$ —**	**$2,635,972**	**$ —**	**$3,010,364**	**$4,949,813**

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	$ —	$ —	$ —	$ —	$ 425,000
Short-term Incentive (5-year average)	$ —	$ —	$ —	$ —	$ 333,552
Short-term Incentive (pro rata 2011)	$ —	$ —	$ —	$ —	$ 166,776
Long-term Incentives:					
2010-2011 Cash LTIP	$ —	$ —	$ —	$ —	$1,132,983
2011-2012 Cash LTIP	$ —	$ —	$ —	$ —	$ 881,190
Stock Options (Unvested and Accelerated)	$ —	$ —	$ —	$ —	$ —
Restricted Stock Units (Unvested and Accelerated)	$ —	$ —	$ —	$ —	$1,988,293
Benefits and Perquisites					
Health Benefit Continuation	$359,000	$359,000	$ —	$359,000	$ 359,000
Total	**$359,000**	**$359,000**	**$ —**	**$359,000**	**$5,286,794**

Ms. O'Dowd

Executive Benefits and Payments Upon Termination	Voluntary Termination	Involuntary Termination: Disability or Death	Involuntary Termination: For Cause	Involuntary Termination: Not for Cause	Involuntary Termination: Change of Control
Compensation					
Severance	$ —	$ —	$ —	$ —	$ 375,000
Short-term Incentive (5-year average)	$ —	$ —	$ —	$ —	$ 299,076
Short-term Incentive (pro rata 2011)	$ —	$ —	$ —	$ —	$ 149,538
Long-term Incentives:					
2010-2011 Cash LTIP	$ —	$ —	$ —	$ —	$1,049,058
2011-2012 Cash LTIP	$ —	$ —	$ —	$ —	$ 688,430
Stock Options (Unvested and Accelerated)	$ —	$ —	$ —	$ —	$ —
Restricted Stock Units (Unvested and Accelerated)	$ —	$ —	$ —	$ —	$1,274,904
Benefits and Perquisites					
Health Benefit Continuation/COBRA Benefit	$ —	$ —	$ —	$ —	$ 22,766
Total	**$ —**	**$ —**	**$ —**	**$ —**	**$3,858,772**

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of June 26, 2011, regarding securities authorized for issuance under the Company's equity compensation plans. The equity compensation plans of the Company include the 1997 Stock Incentive Plan, the 1999 Stock Option Plan, the 1999 Employee Stock Purchase Plan, and the 2007 Stock Incentive Plan, each as amended and 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	2,585,204[1][2]	$21.29	18,426,686[3]
Equity compensation plans not approved by security holders	56,069[4]	$22.49	0
Total	2,641,273	$21.50	18,426,686

(1) Includes 37,000 shares issuable under the Company's 1997 Stock Incentive Plan, which expired prior to June 26, 2011. While there are options still outstanding that were issued pursuant to the Plan, no additional grants may be made under it.

(2) Includes 2,548,204 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 9,672,531 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 1999 ESPP was adopted by the board in September 1998, approved by the stockholders in November 1998, amended by stockholder approval in November 2003, and amended by the board in May 2010. 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
ADVISORY VOTE ON FISCAL YEAR 2011
EXECUTIVE COMPENSATION ("SAY ON PAY")

The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") enables the Company's stockholders to vote to approve, on an advisory or non-binding basis, the compensation of our named executive officers, as disclosed in this proxy statement in accordance with SEC rules. Although the vote is advisory and is not binding on us or on our board of directors, our compensation committee and, as appropriate, our board, will take into account the outcome of the vote when considering future executive compensation decisions and will evaluate whether any actions are necessary to address stockholder concerns.

We believe that our compensation philosophy has allowed us to attract, retain, and motivate qualified executive officers who have contributed to our success. For more information regarding the compensation of our named executive officers and our compensation philosophy, we encourage you to read the section of this proxy entitled "Executive Compensation and Other Information – Compensation Discussion & Analysis," the compensation tables and the narrative discussion following the compensation tables for a more detailed discussion of our compensation policies and practices.

We are asking for stockholder approval, on an advisory or non-binding basis, of the compensation of our named executive officers in accordance with SEC rules. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the policies and practices described in this proxy statement.

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 RECOMMENDS A VOTE "FOR" THE APPROVAL, ON AN ADVISORY OR NON-BINDING BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SEC.

PROPOSAL NO. 3
ADVISORY VOTE ON THE FREQUENCY OF EXECUTIVE COMPENSATION VOTE

The Dodd-Frank Act also enables the Company's stockholders to vote, on an advisory or non-binding basis, on how frequently they would like to cast an advisory vote on the compensation of our named executive officers. By voting on this proposal, stockholders may indicate whether they would prefer an advisory vote on named executive officer compensation once every one, two, or three years. This "say on frequency" vote is required to be held at least once every six years.

After consideration of the frequency alternatives, our board of directors believes that conducting an advisory vote on executive compensation on a one-year basis is appropriate for the Company and its stockholders at this time.

Vote Required to Approve Proposal No. 3; Board Recommendation

Stockholders are asked to specify one of four votes on this proposal: one year, two years, three years or abstain. Stockholders are not voting to approve or disapprove of the board of directors' recommendation. The Proxy Holders will vote all proxies received for an advisory vote to approve executive compensation on a one-year basis unless instructed otherwise. Approval of the frequency of an advisory vote to approve executive compensation will be determined by a plurality of votes, which means that the choice of frequency that receives the highest number of "for" votes will be considered the advisory vote of the stockholders. Abstentions and broker non-votes will not count as votes cast "for" or "against" any frequency choice, and will have no direct effect on the outcome of this proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR A FREQUENCY OF ONE YEAR FOR THE ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

PROPOSAL NO. 4
RATIFICATION OF THE 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 year 2012. Ernst & Young LLP has been the Company’s independent registered public accounting firm (independent auditor) since fiscal year 1981.

Approval of Proposal No. 4 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 year 2011 included examining Lam’s consolidated financial statements and its system of internal control over financial reporting, including review of the Company’s convertible debt financing and share repurchase transactions, as well as providing services related to Lam’s filings with the SEC and other regulatory bodies. Audit-related services during fiscal year 2011 related primarily to review of the Company’s IT system changes and consultations concerning financial accounting and reporting standards that are not part of the performance of the audit or review of the financial statements.

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. 4.

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 26, 2011, 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 2011 Annual Report on Form 10-K for the fiscal year ended June 26, 2011 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
Eric K. Brandt
Catherine P. Lego (Chair)
Kim E. Perdikou

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 2011 and 2010.

Services / Type of Fee	Fiscal Year 2011	Fiscal Year 2010
Audit Fees[(1)]	$2,854,146	$2,266,000
Audit-Related Fees[(2)]	145,880	84,500
Tax Fees	—	—
All Other Fees[(3)]	1,995	—
TOTAL	$3,002,021	$2,350,500

(1) Audit fees represent fees for professional services provided in connection with the audits of annual financial statements, including review of the Company's convertible debt financing and share repurchase transactions, 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 year 2011, these fees related primarily to review of the Company's IT system changes 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 year 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.

(3) Other fees represent subscription fees to Ernst & Young LLP's accounting research service.

The audit committee reviewed summaries of the services provided by Ernst & Young LLP and the related fees during fiscal year 2011 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 2011.

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 PARTY TRANSACTIONS

No family relationships exist or existed during fiscal year 2011 among any of the Company's directors and executive officers. No related-party transactions occurred during fiscal year 2011.

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: September 19, 2011

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 26, 2011

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 ☐ Smaller reporting company ☐
(Do not check if a 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 26, 2010, 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 $5,116,431,866. 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 12, 2011, the Registrant had 123,785,429 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 3, 2011 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.)

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LAM RESEARCH CORPORATION

2011 ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

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, costs, earnings, income, 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, 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 Asia, Europe, and North America in order to meet the needs of its global customer base.

Additional information about Lam Research is available on our website at 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 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 26, 2011, June 27, 2010, and June 28, 2009.

Lam Research is a leading supplier of wafer fabrication equipment and services to the worldwide semiconductor industry. For more than thirty years, we have contributed to the advancement of semiconductor manufacturing processes that have led to the proliferation of a variety of electronic products that impact our everyday lives, including cell phones, computers, memory, and networking equipment. The Company's customer base includes leading semiconductor memory, foundry, and integrated device manufacturers ("IDMs") that make DRAM, NAND, and logic devices for these products.

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 processing to develop technology and productivity 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 successive 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 the desired 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 defined features and patterns of an integrated circuit. Etch products are required to remove only the desired films and do so in a uniform fashion across the entire surface of the wafer. This process is becoming increasingly challenging as device feature sizes shrink, the complexity of the films being removed increases, and the tolerance for variability between devices and wafers becomes smaller.

Dielectric Etch

Dielectric etch often requires etching multi-layer film stacks. Smaller technology node sizes increase the complexity of the structures being etched, and repeatable 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 more than 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, 2300® Flex™ E 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 3-dimensional 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 starting with the 3x technology 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™ ("TCP") 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® Kiyo® E Series, 2300® Versys® Metal, 2300® Versys® Metal45™, 2300® Versys® Metal L Conductor Etch Systems

Now in its fourth 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.

Three-Dimensional Integrated Circuit Etch

The semiconductor industry is developing advanced, three-dimensional integrated circuits ("3DICs") 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, 3D ICs can enhance device performance through increased speed and decreased power consumption. Manufacturers are currently considering a wide variety of 3D 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 micro-electromechanical systems ("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.

MEMS and Deep Silicon Etch

Deep silicon etch is an enabling process for several emerging technologies, including 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. This offers broad process capability and flexibility for a wide range of MEMS, advanced packaging, power semiconductor applications, and TSV applications on 150 mm and 200 mm wafers. In addition, incorporation of our proprietary *in situ* chamber cleaning technology provides etch rate stability.

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.

As device manufacturers transition to the 32 nm and 28 nm technology nodes, it becomes increasingly more challenging to efficiently remove particles and residues while at the same time minimizing substrate material loss, protecting structures with fragile new materials and smaller feature sizes, and efficient drying. Similarly, as manufacturers transition to smaller technology nodes, managing particle build-up on the back-side of the wafer surface is becoming more critical. Single-wafer wet processing provides an advantage over batch cleaning by preventing particles from migrating from the back-side of a wafer to the front-side during the cleaning steps. 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. More recently the migration for front-end-of-line wet clean applications has started to accelerate 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, our 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. In addition, our unique wafer chuck design provides the ability to effectively clean the back-side of the wafer without damaging the devices on the front-side of the wafer surface.

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 2011, 2010, and 2009 were $373.3 million, $320.9 million, and $288.3 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. 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 26, 2011	June 27, 2010	June 28, 2009
		(in thousands)	
Revenue:			
United States	$ 393,004	$ 186,036	$ 171,359
Europe	423,148	133,685	121,178
Japan	405,371	318,641	234,070
Korea	756,660	539,312	239,911
Taiwan	766,910	703,854	208,053
Asia Pacific	492,600	252,248	141,375
Total revenue	$3,237,693	$2,133,776	$1,115,946

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 2011, revenues from Samsung Electronics Company, Ltd. accounted for approximately 24% of total revenues. 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.

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) we have received a written customer request that has been accepted, 2) we have an agreement on prices and product specifications, and 3) there is a 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 26, 2011 and June 27, 2010, our backlog was approximately $641 million and $667 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 14 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 12, 2011, we had approximately 3,700 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 19, 2011, the executive officers of Lam Research were as follows:

Name	Age	Title
Stephen G. Newberry	57	Chief Executive Officer and Vice Chairman
Martin B. Anstice	44	President and Chief Operating Officer
Ernest E. Maddock	53	Senior Vice President, Chief Financial Officer and Chief Accounting Officer
Richard A. Gottscho	59	Senior Vice President, Global Products and General Manager, Etch Product Group
Mike Morita	62	Vice President, Business Development
Mukund Srinivasan	42	Vice President and General Manager, Clean Product Group
Sarah A. O'Dowd	61	Group Vice President, Human Resources and Chief Legal Officer

Stephen G. Newberry is Lam's Chief Executive Officer and was named vice chairman of the Company's Board of Directors in December 2010. 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. In June 2005, he was named President and Chief Executive Officer. Mr. Newberry currently serves as a director of Lam Research, Nanometrics Inc., 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 Anstice serves as the Company's Chief Operating Officer and was promoted to President in December 2010. He 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.

Richard A. Gottscho, Senior Vice President of Global Products and General Manager, Etch Product Group since March 2007, joined the Company in January 1996 and has served at various Director and Vice Presidential 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.

Mike Morita was appointed Vice-President of Business Development and Chairman of Lam Research Japan in January 2011. Mr. Morita joined Lam Research in January 2004 as Regional Vice President for Lam Research Japan. Prior to joining Lam Research, he spent 20 years at Applied Materials where he held numerous positions such as Group Vice President of Etch Product Group, President of Applied Materials, Japan, General Manager of Metal Etch and Director of PVD/CVD/EP I Product Group. Mr. Morita began his career at Komatsu International Manufacturing Company where during his 10-year tenure, he held roles in planning, marketing and business management. Mr. Morita holds a Bachelor of Science in Mechanical Engineering degree from the Science University of Tokyo.

Mukund Srinivasan joined Lam Research in 1996 after completing his Ph.D. in Mechanical Engineering from the University of California at Berkeley. Over the past 14 years he held various positions in the Dielectric Etch organization in product and process engineering, managing customer technology groups, and eventually as the product line head for three years. After a brief stint as the head of the Business Development organization, he assumed the role of General Manager, Clean Product Group in August 2010.

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 2011 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 Equipment 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 and managing our work force, and in appropriately sizing our supply chain infrastructure, 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 negatively impacted. 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.

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 Declines in the Semiconductor 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 the 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 ("R&D") 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 semiconductor 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 strikes, acts of God, wars, terrorist activities, and natural disasters;
- 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;
- foreign currency exchange rate fluctuations; and
- the dilutive impact of our convertible notes and related warrants on our earnings per share.

Our Leverage and Debt Service Obligations and Potential Note Conversion or Related Hedging Activities May Adversely Affect Our Financial Condition, Results of Operations and Earnings Per Share

As a result of the sale of our convertible notes ("Notes"), we have a greater amount of debt than we have maintained in the past. Our maintenance of higher levels of indebtedness could have adverse consequences including:

- impacting our ability to satisfy our obligations;
- increasing the portion of our cash flows that may have to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes; and
- impairing our ability to obtain additional financing in the future.

Our ability to meet our expenses and debt obligations will depend on our future performance, which will be affected by financial, business, economic, regulatory and other factors. Furthermore, our operations may not generate sufficient cash flows to enable us to meet our expenses and service our debt. As a result, we may need to enter into new financing arrangements to obtain the necessary funds. If we determine it is necessary to seek additional funding for any reason, we may not be able to obtain such funding or, if funding is available, obtain it on acceptable terms. If we fail to make a payment on our debt, we could be in default on such debt, and this default could cause us to be in default on our other outstanding indebtedness.

Conversion of our Notes may cause dilution to our shareholders and to our earnings per share. Upon conversion of any Notes, we will deliver cash in the amount of the principal amount of the Notes and, with respect to any excess conversion value greater than the principal amount of the Notes, shares of our common stock, which would result in dilution to our shareholders. This dilution may be mitigated to some extent by the hedging transactions we entered into in connection with the sale of the Notes. Prior to the maturity of the Notes, if the price of our common stock exceeds the conversion price, U.S. GAAP requires that we report an increase in diluted share count, which would result in lower reported earnings per share. The price of our common stock could also be affected by sales of our common stock by investors who view the Notes as a more attractive means of equity participation in our company and by hedging activity that may develop involving our common stock by holders of the Notes.

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 a given 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, shipments and profitability. As a result, the actions of even one customer may subject us to variability in those areas that are difficult to predict. In addition, large customers may be able to negotiate requirements that result in increased costs and/or lower margins for us. 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 26, 2011, three customers accounted for approximately 17%, 14%, and 10 % of accounts receivable. As of June 27, 2010, two customers accounted for approximately 24% and 22 % 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 manufacturing 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 for a substantial period of time, and we expect that we and they 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 our products to a given customer if that customer initially selects a competitor's equipment for the same product line application.

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 Heavily on International Sales and the Management of Global Operations

Non-U.S. sales accounted for approximately 88% of total revenue in fiscal year 2011, 91% of total revenue in fiscal year 2010, and 85% of total revenue in fiscal year 2009. 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 and foreign government 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 among China, Taiwan, Japan, South Korea, and the United States, that political and diplomatic influences might lead to trade disruptions. This would adversely affect our business with China, Taiwan, Japan, and/or South Korea 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 ("JPY") revenue and monetary assets and liabilities, Euro-denominated ("EUR") expenses and monetary assets and liabilities, as well as monetary assets and liabilities denominated in Swiss francs ("CHF") and Taiwanese dollars ("TWD"). We believe these are our primary exposures to currency rate fluctuation. We expect to continue to enter into hedging transactions, for the purposes outlined, for the foreseeable future. However, these hedging transactions may not achieve their desired effect because differences between the actual timing of the underlying exposures and our forecasts of those exposures may leave us either over- or under-hedged on any given transaction. Moreover, by hedging these foreign currency denominated revenues, expenses, 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 ("USD") 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. Confidential information stored on these information systems could be compromised. 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, or unauthorized releases of confidential information, 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 handling, discharge, and 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 handling and 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. Any failure to comply with regulations governing the use, handling, 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, 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, Make Acquisitions, or Subject Our Business to Additional Costs

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;
- disruptions of relationships with key customers or suppliers; or
- dilutive impacts of our Notes and related warrants.

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 or other issues. We also face risks of claims arising 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, and we may be subject to substantial damage awards and penalties. Moreover, although we have insurance to protect us from certain claims and cover certain losses to our property, such insurance may not cover us for the full amount of any losses, or at all, and may be subject to substantial exclusions and deductibles.

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.

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 Livermore, 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 2011, 2010, and 2009 rental expense for the space occupied during those periods aggregated approximately $9 million, $6 million, and $9 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. The Company does not believe that any of these matters will have a material adverse effect on its consolidated financial condition or results of operations. 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 12, 2011 we had 339 stockholders of record. In fiscal years 2011 and 2010 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:

	2011	
	High	**Low**
First Quarter	$43.76	$35.39
Second Quarter	$52.91	$36.77
Third Quarter	$59.10	$46.27
Fourth Quarter	$57.41	$41.77

	2010	
	High	**Low**
First Quarter	$35.44	$24.43
Second Quarter	$39.80	$32.17
Third Quarter	$41.56	$32.07
Fourth Quarter	$43.42	$35.33

On September 8, 2008, the Board of Directors authorized the repurchase of up to $250 million of Company common stock from the public market or in private purchases. This repurchase program had no termination date, could have been suspended or discontinued at any time, and was funded using our available cash. We temporarily suspended repurchases under the program during the December 2008 quarter. On February 2, 2010, the Board of Directors authorized the resumption of the repurchase program. We completed the repurchase of all amounts available under this share repurchase authorization during the quarter ended September 26, 2010.

On September 10, 2010, the Board of Directors authorized the repurchase of up to an additional $250 million of Company common stock using our available cash. These repurchases can be conducted on the open market or as private purchases and may include the use of derivative contracts with large financial institutions. This repurchase program has no termination date and may be suspended or discontinued at any time.

As part of our share repurchase program, we may from time-to-time enter into structured share repurchase arrangements with financial institutions using general corporate funds. These arrangements generally require us to make an up-front cash payment in exchange for the right to receive shares of our common stock or cash at the expiration of the agreement, dependent upon the closing price of the Corporation's common stock at the maturity date. During 2011 we entered into structured share repurchase arrangements which, in the aggregate, required up-front cash payments totaling $200 million. One of these arrangements, which required us to make an upfront cash payment of $50.0 million, settled during 2011 and based on the closing price of our common stock on the maturity date resulted in us receiving a $50.4 million cash payment, and therefore did not result in the repurchase of any shares of our common stock. As of June 26, 2011, aggregate prepayments of $150 million were outstanding under two such arrangements. These arrangements settle in October 2011 and will result in the receipt of either 1.4 million shares of our common stock or $51.0 million under the first arrangement, and 2.6 million shares of our common stock or $103.5 million under the second arrangement. Under these arrangements, any prepayments or cash payments at settlement are recorded as a component of additional paid in capital in our Consolidated Balance Sheet as of June 26, 2011.

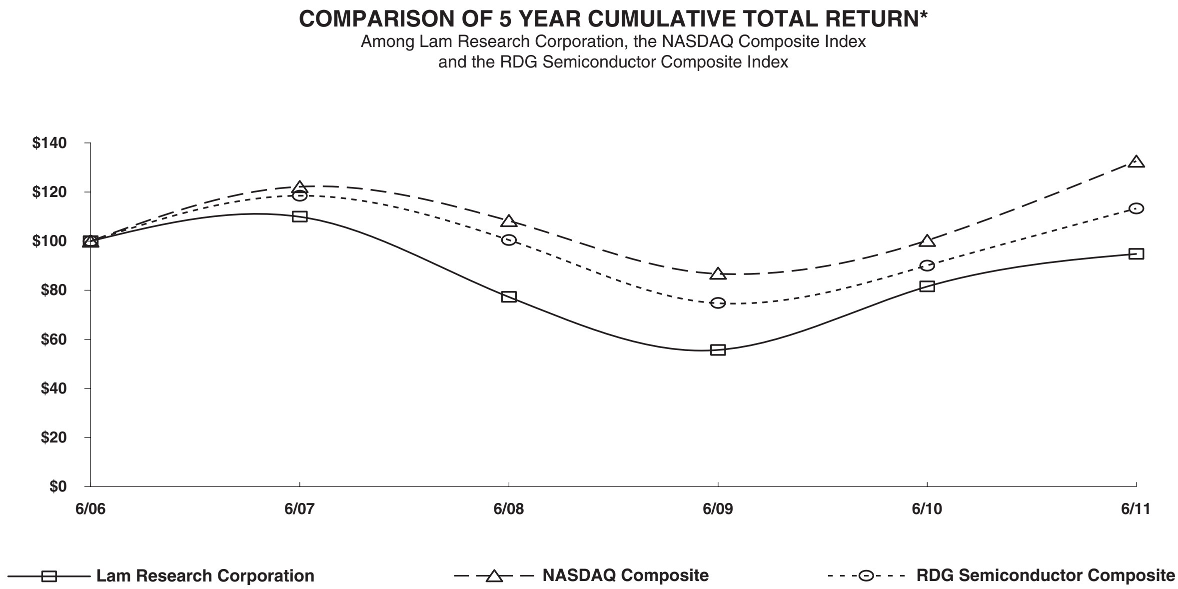
On May 11, 2011 we used a portion of the net proceeds from our convertible note offering to repurchase 1,000,000 shares of Company common stock at a purchase price of $47.56 per share.

Share repurchases, including those under the repurchase program, were as follows:

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)			
Amount available at June 27, 2010				$130,693
Quarter Ending September 26, 2010	3,408	$38.56	3,389	$ —
Authorization of up to $250 million — September 2010				$250,000
Quarter Ending December 26, 2010	91	$45.20	—	$250,000
Quarter Ending March 27, 2011	160	$53.94	—	$250,000
March 28, 2011 — April 24, 2011	2	$54.15	—	$250,000
April 25, 2001 — May 22, 2011	1,087	$47.69	—	$250,000
May 23, 2011 — June 26, 2011	42	$43.04	18	$249,244
Total	4,790	$41.31	3,407	

(1) In addition to shares repurchased under Board authorized repurchase programs, included in this column are (i) 1,000,000 shares repurchased at a total cost of $47.6 million in connection with the convertible note offering and authorized by the Board independent of the publicly announced repurchase program and (ii) 383,000 shares acquired at a total cost of $18.9 million which the Company withheld through net share settlements to cover tax withholding obligations upon the vesting of restricted stock unit awards granted under the Company's equity compensation plans. The shares retained by the Company through these net share settlements are not a part of the Board-authorized repurchase program but instead are authorized 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, 2006 to June 30, 2011.



*$100 invested on 6/30/06 in stock or index, including reinvestment of dividends.
Fiscal year ending June 30.

	6/06	6/07	6/08	6/09	6/10	6/11
Lam Research Corporation	**100.00**	**110.02**	**77.38**	**55.65**	**81.46**	**94.78**
NASDAQ Composite	**100.00**	**122.33**	**108.31**	**86.75**	**100.42**	**132.75**
RDG Semiconductor Composite	**100.00**	**118.52**	**100.60**	**74.75**	**90.03**	**113.23**

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

	Year Ended				
	June 26, 2011 (1)	**June 27, 2010 (1)**	**June 28, 2009 (1)**	**June 29, 2008 (1)**	**June 24, 2007**
	(in thousands, except per share data)				
OPERATIONS:					
Revenue	$3,237,693	$2,133,776	$1,115,946	$2,474,911	$2,566,576
Gross margin	1,497,232	969,935	388,734	1,173,406	1,305,054
Goodwill impairment (2)	—	—	96,255	—	—
Restructuring charges and asset impairments, net (3)	11,579	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)	804,285	425,410	(281,243)	509,431	778,660
Net income (loss)	723,748	346,669	(302,148)	439,349	685,816
Net income (loss) per share:					
Basic	$ 5.86	$ 2.73	$ (2.41)	$ 3.52	$ 4.94
Diluted	$ 5.79	$ 2.71	$ (2.41)	$ 3.47	$ 4.85
BALANCE SHEET:					
Working capital	$2,592,506	$1,198,004	$ 855,064	$1,280,028	$ 743,563
Total assets	4,057,394	2,487,392	1,993,184	2,806,755	2,101,605
Long-term obligations, less current portion	903,263	160,600	158,019	385,132	252,487

(1) Fiscal year 2011, 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.

(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 26, 2011	March 27, 2011	December 26, 2010	September 26, 2010
	(in thousands, except per share data)			
QUARTERLY FISCAL YEAR 2011:				
Revenue	$752,018	$809,087	$870,714	$805,874
Gross margin	338,454	374,019	407,433	377,326
Restructuring and asset impairments — operating expenses	16,742	—	—	(5,163)
Operating income	142,191	196,996	241,104	223,994
Net income	125,928	182,240	221,856	193,724
Net income per share				
Basic	$ 1.02	$ 1.47	$ 1.80	$ 1.57
Diluted	$ 1.01	$ 1.45	$ 1.78	$ 1.55
Number of shares used in per share calculations:				
Basic	123,863	123,674	123,101	123,665
Diluted	125,086	125,293	124,786	125,202

	Three Months Ended (1)			
	June 27, 2010	March 28, 2010	December 27, 2009	September 27, 2009
	(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

(1) Our reporting period is a 52/53-week fiscal year. The fiscal years ended June 26, 2011 and June 27, 2010 both included 52 weeks. All quarters presented above included 13 weeks.

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 2011 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 2011 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 2011 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 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 processing to develop technology and productivity 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 capital equipment industry is cyclical in nature and has historically experienced periodic and pronounced changes in customer demand resulting in industry downturns and upturns. Today's leading indicators of change in customer investment patterns, such as electronics demand, memory pricing, and foundry utilization rates, 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 during any particular fiscal period are not necessarily indicative of future operating results.

We believe that, over the long term, demand for our products will increase as customers' capital expenditures rise to meet growing demand for semiconductor devices. We believe that the wafer fabrication equipment market in calendar year 2011 will be similar in size to calendar year 2010 dependent on, among other things, world-wide GDP growth, consumer adoption rates for new products such as tablet devices and high-end smart phones, and our customers' transition to more advanced technology nodes. 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 26, 2011	June 27, 2010	June 28, 2009	FY11 vs. FY10		FY10 vs. FY09	
	(in thousands, except per share data and percentages)						
Revenue	$3,237,693	$2,133,776	$1,115,946	$1,103,917	51.7%	$1,017,830	91.2%
Gross margin	1,497,232	969,935	388,734	$ 527,297	54.4%	$ 581,201	149.5%
Gross margin as a percent of total revenue	46.2%	45.5%	34.8%	0.7%		10.7%	
Total operating expenses	692,947	544,525	669,977	$ 148,422	27.3%	$ (125,452)	-18.7%
Net income (loss)	723,748	346,669	(302,148)	$ 377,079	108.8%	$ 648,817	214.7%
Diluted net income (loss) per share	$ 5.79	$ 2.71	$ (2.41)	$ 3.08	113.7%	$ 5.12	212.4%

Fiscal year 2011 results compared with fiscal year 2010 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.

Fiscal year 2011 revenues increased 52% compared to fiscal year 2010, primarily reflecting increased system shipments driven by growth in customer demand. The increase in gross margin as a percentage of revenue for the fiscal year 2011 compared to fiscal year 2010 was due primarily to increased revenue along with increased factory and field utilization resulting from higher overall volume.

Operating expenses in fiscal year 2011 increased as compared to fiscal year 2010. This change was primarily due to increased research and development activities and enhanced levels of sales and marketing expense associated with customer projects and a credit in fiscal year 2010 of approximately $39 million related to the reversal of accrued liabilities due to the final settlement of matters associated with our Internal Revenue Code Section 409A expenses from the 2007 voluntary independent stock option review.

Our cash and cash equivalents, short-term investments, and restricted cash and investments balances totaled approximately $2.3 billion as of June 26, 2011 compared to $992 million as of June 27, 2010. We generated approximately $881 million in net cash provided by operating activities during fiscal year 2011, compared to net cash provided by operating activities of $351 million in fiscal year 2010. The increased operating cash flows in fiscal year 2011 versus fiscal year 2010 were mainly generated from higher revenue volumes during the fiscal year. Additionally, during fiscal year 2011, the Company completed a convertible note financing and generated $836 million in net cash, which includes proceeds from warrant sales, offset by issuance fees and purchase of convertible note hedges.

Results of Operations

Shipments and Backlog

	Year Ended		
	June 26, 2011	June 27, 2010	June 28, 2009
Shipments (in millions)	$3,306	$2,304	$976
North America	13%	8%	16%
Europe	13%	7%	11%
Japan	13%	15%	20%
Korea	21%	27%	21%
Taiwan	23%	32%	20%
Asia Pacific	17%	11%	12%

Shipments for fiscal year 2011 were approximately $3.3 billion and increased by 43% compared to fiscal year 2010. Shipments for fiscal year 2010 increased sequentially from fiscal year 2009 by 136%. The sequential growth for both fiscal years reflects improvements in the industry and economic environments as noted above.

During fiscal year 2011, applications at or below the 65 nanometer technology node were 90% of total systems shipments. During fiscal year 2010, applications at or below the 65 nanometer technology node were 96% of total systems shipments. During fiscal year 2011 the memory market segment, foundry segment, and logic/integrated device manufacturing segment were approximately 49%, 32% and 19% of system shipments, respectively. During fiscal year 2010, the memory market segment, foundry segment, and logic/integrated device manufacturing segment were approximately 61%, 29% and 10% of system shipments, respectively. In fiscal year 2011, we saw a broadening of customers, some of which added capacity above the 65 nanometer node.

Unshipped orders in backlog as of June 26, 2011 were approximately $641 million and decreased from approximately $667 million as of June 27, 2010. 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 26, 2011	**June 27, 2010**	**June 28, 2009**
Revenue (in millions)	$3,238	$2,134	$1,116
North America	12%	9%	15%
Europe	13%	6%	11%
Japan	13%	15%	21%
Korea	23%	25%	21%
Taiwan	24%	33%	19%
Asia Pacific	15%	12%	13%

The revenue increase during fiscal year 2011 compared to 2010 and fiscal year 2010 compared to 2009 reflected improvements in the industry and economic environments 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 majority of our revenues as a substantial amount of the worldwide capacity additions for semiconductor manufacturing continues to occur in this region. Our deferred revenue balance increased to $257.6 million as of June 26, 2011 compared to $207.4 million as of June 27, 2010, consistent with increased customer spending levels during fiscal year 2011. 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 $70 million as of June 26, 2011 compared to $52 million as of June 27, 2010.

Gross Margin

	Year Ended						
	June 26, 2011	**June 27, 2010**	**June 28, 2009**	**FY11 vs. FY10**		**FY10 vs. FY09**	
	(in thousands, except percentages)						
Gross margin	$1,497,232	$969,935	$388,734	$527,297	54.4%	$581,201	149.5%
Percent of total revenue	46.2%	45.5%	34.8%	0.7%		10.7%	

The increase in gross margin as a percentage of revenue for fiscal year 2011 compared to fiscal year 2010 was due primarily to increased factory and field utilization as a result of higher volume.

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.

Research and Development

	Year Ended						
	June 26, 2011	June 27, 2010	June 28, 2009	FY11 vs. FY10		FY10 vs. FY09	
	(in thousands, except percentages)						
Research & development (“R&D”)	$373,293	$320,859	$288,269	$52,434	16.3%	$32,590	11.3%
Percent of total revenue	11.5%	15.0%	25.8%	-3.5%		-10.8%	

We continue to make significant R&D investments focused on leading-edge plasma etch, single-wafer clean and other semiconductor manufacturing requirements. The increase in R&D spending during fiscal year 2011 compared to fiscal year 2010 was due primarily to higher employee compensation and benefits of $27 million, mainly as a result of increased headcount and stronger company profitability, and higher outside services and supplies of $19 million related to new product development.

The increase in R&D spending during fiscal year 2010 compared to fiscal year 2009 was due primarily to higher employee compensation and benefits of $25 million, mainly as a result of stronger company profitability, and higher outside services and supplies of $5 million.

Approximately 30% and 24% of fiscal years 2011 and 2010 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.

Selling, General and Administrative

	Year Ended						
	June 26, 2011	June 27, 2010	June 28, 2009	FY11 vs. FY10		FY10 vs. FY09	
	(in thousands, except percentages)						
Selling, general & administrative (“SG&A”)	$308,075	$240,942	$233,061	$67,133	27.9%	$7,881	3.4%
Percent of total revenue	9.5%	11.3%	20.9%	-1.8%		-9.6%	

The growth in SG&A expense during fiscal year 2011 compared to fiscal year 2010 was due primarily to higher employee compensation and benefits of $44 million, mainly as a result of increased headcount and stronger company profitability, and higher outside services and supplies of $18 million for customer penetration activities. Rent and depreciation-related expenses increased in fiscal year 2011 from fiscal year 2010 by approximately $13 million. The increases in SG&A expenses during fiscal year 2011 were offset by the release of approximately $4 million of previously reserved allowance for doubtful accounts as the result of cash collections from customers.

The growth in SG&A expense during fiscal year 2010 compared to fiscal year 2009 was driven by increases of approximately $26 million in 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.

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. We concluded that there were no indicators of impairment as a result of our fiscal 2010 and 2011 assessments.

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 and 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 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. During fiscal year 2011 the Company incurred additional expenses of $11.8 million under the March 2009 Plan consisting primarily of certain facilities charges related to the reassessment of future obligations for previously restructured leases.

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. There were no expenses or reversals related to Section 409A during fiscal year 2011.

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 recorded the amount of the legal judgment of $4.6 million in our consolidated statement of operations for the year ended June 28, 2009 and final judgment was reached in fiscal year 2011.

Other Income (Expense), Net

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

	Year Ended		
	June 26, 2011	June 27, 2010	June 28, 2009
		(in thousands)	
Interest income	$ 15,572	$ 8,598	$24,283
Interest expense	(5,380)	(994)	(6,497)
Foreign exchange gain (loss)	(11,085)	(103)	922
Other, net	(2,516)	(2,770)	(558)
	$ (3,409)	$ 4,731	$18,150

The increase in interest income during fiscal year 2011 compared with fiscal year 2010 was primarily due to increases in our average cash and investment balances from cash provided by operations and proceeds from convertible note financing, which was partially offset by treasury stock transactions and the decrease in interest rate yields. 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 increase in interest expense during fiscal year 2011 as compared with fiscal year 2010 was due to the issuance of the $900 million convertible notes during fiscal year 2011. The decrease in interest expense during fiscal year 2010 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 losses in fiscal year 2011 were related to un-hedged portions of the balance sheet exposures, primarily in the Euro, Korean Won, and Singapore dollar. 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.

Other expenses during fiscal year 2011 included increases in charitable contributions and banking fees primarily related to increased business transactions. Other expenses increased during fiscal year 2010 as compared with 2009 due to 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 $77.1 million, $83.5 million, and $39.1 million in fiscal years 2011, 2010, and 2009, respectively. Our effective tax rate for fiscal years 2011, 2010, and 2009 was 9.6%, 19.4%, and (14.8) %, respectively. The decrease in the effective tax rate in fiscal year 2011 was primarily due to the change in geographical mix of income between higher and lower tax jurisdictions, tax benefits related to the recognition of previously unrecognized tax benefits due to the settlement of audits, and tax benefit due to the extension of the second half of fiscal year 2010 federal R&D credit.

The fiscal year 2010 effective tax rate was 19.4%, compared to the fiscal year 2009 effective tax rate of (14.8)%. The increase in the effective tax rate in fiscal year 2010 was 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.

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 $147.2 million and $137.4 million at the end of fiscal years 2011 and 2010, respectively. These gross deferred tax assets were offset by deferred tax liabilities of

$31.7 million and $36.3 million at the end of fiscal years 2011 and 2010, respectively, and a valuation allowance of $46.2 million and $37.0 million at the end of fiscal years 2011 and 2010, 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 2011 and 2010 valuation allowance of $46.2 million and $37.0 million relate to California and certain foreign deferred tax assets.

At our fiscal year end of June 26, 2011 we recorded a valuation allowance to offset the entire California deferred tax asset balance reflecting the impact of a California law repealing the cost of performance sales factor sourcing rule and the single sales factor apportionment election, effective for subsequent fiscal years. 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 and an increase in the current year deferred tax liabilities.

We evaluate the realizability of the deferred tax assets quarterly and will continue to assess the need for changes in 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 received customer acceptance, completed our system installation obligations, 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 selling prices, provided the elements have value on a stand-alone basis. Our sales arrangements do not include a general right of return. 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. When goods or services have been delivered to the customer but all conditions for revenue recognition have not been met, we record deferred revenue and/or deferred costs of sales in deferred profit on our Consolidated Balance Sheet.

Inventory Valuation: Inventories are stated at the lower of cost or market using standard costs that 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. Unless specified in the terms of sale, title generally transfers when we complete physical transfer of the products to the freight carrier. 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. 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 that 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 as incurred.

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 ("RSUs") 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 15 of the 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, 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 R&D 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 a 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 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. We adopted this guidance on June 28, 2010, on a prospective basis, and the adoption did not 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. We adopted this guidance on June 28, 2010, on a prospective basis, and the adoption did not have a significant impact on our results of operations or financial condition.

In June 2011, the FASB issued new authoritative guidance that increases the prominence of items reported in other comprehensive income (OCI) by eliminating the option to present components of OCI as part of the statement of changes in stockholders' equity. The amendments in this standard require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Under either method, adjustments must be displayed for items that are reclassified from OCI to net income in the financial statements where the components of net income and the components of OCI are presented. This guidance does not affect the underlying accounting for components of OCI, but will change the presentation of our financial statements. We will adopt this authoritative guidance retrospectively in the first quarter of our fiscal year 2013.

Liquidity and Capital Resources

Total gross cash, cash equivalents, short-term investments, and restricted cash and investments balances were $2.3 billion at the end of fiscal year 2011 compared to $991.7 million at the end of fiscal year 2010. This increase was primarily due to cash provided by operations and net proceeds from our convertible note financing, which was partially offset by treasury stock transactions.

Cash Flows from Operating Activities

Net cash provided by operating activities of $881 million during fiscal year 2011 consisted of (in millions):

Net income	$723.7
Non-cash charges:	
Depreciation and amortization	74.8
Equity-based compensation	53.0
Restructuring charges, net	11.6
Amortization of convertible note discount	3.6
Net tax benefit on equity-based compensation plans	5.5
Deferred income taxes	(10.7)
Changes in operating asset and liability accounts	21.8
Other	(2.3)
	$881.0

Significant changes in operating asset and liability accounts included the following sources of cash: increases in accrued expenses and other liabilities of $138.1 million, accounts payable of $42.3 million, and deferred profit of $34.0 million, partially offset by the following uses of cash: increases in accounts receivable of $89.7 million, inventories of $77.5 million, and prepaid and other assets of $25.3 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 2011 was $479.9 million which was primarily due to net purchases of available-for-sale securities of $353.5 million and capital expenditures of $127.5 million.

Cash Flows from Financing Activities

Net cash provided by financing activities during fiscal year 2011 was $527.0 million which was primarily due to net proceeds from our convertible note financing of $835.5, which includes proceeds from convertible notes and warrant sales, offset by issuance fees and purchase of convertible note hedges. Additional sources of cash provided by financing activities include net proceeds related to issuance of common stock and reissuance of treasury stock under employee equity-based plans of $33.6 million and the effect of excess tax benefits on equity based compensation of $23.3 million. This was partially offset by $211.3 million in treasury stock repurchases, $149.6 million of net prepayments for the potential purchase of treasury stock under the structured stock repurchase arrangement (see Note 19 of Notes to Consolidated Financial Statements), and $4.5 million in principal payments on long-term debt and capital leases.

Liquidity

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, we expect that our levels of cash, cash equivalents, and short-term investments at June 26, 2011 will 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 and services. While we have substantial cash balances in the United States and offshore, we may require additional funding and need to raise the required funds through borrowings or public or private sales of debt or equity securities. We believe that, if necessary, 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.

Off-Balance Sheet Arrangements and Contractual Obligations

We have certain obligations to make future payments under various contracts, some of which are recorded on our balance sheet and some of which are not. Obligations are recorded on our balance sheet in accordance with GAAP and include our long-term debt which is outlined in the following table and noted below. Our off-balance sheet arrangements include contractual relationships and are presented as operating leases and purchase obligations in the table below. Our contractual cash obligations and commitments as of June 26, 2011, relating to these agreements and our guarantees are included in the following table. The amounts in the table below exclude $113.6 million of liabilities related to uncertain tax benefits as we are unable to reasonably estimate the ultimate amount or time of settlement. See Note 15 of Notes to the 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	$11,081	$ 1,900	$192,766	$ 10,219	$ 215,966
1-3 years	16,238	3,466	66,724	16,415	102,843
3-5 years	5,852	3,944	29,755	465,750	505,301
Over 5 years	830	8,931	1,040	462,234	473,035
Total	$34,001	$18,241	$290,285	$954,618	$1,297,145

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. Certain of our facility leases for buildings located at our Fremont, California headquarters, Livermore facilities, 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. In addition to amounts included in the table above, we have guaranteed residual values for certain of our Fremont and Livermore facility leases of up to $164.9 million. See Note 14 of Notes to the Consolidated Financial Statements for further discussion.

Capital Leases

Capital leases reflect building and office equipment lease obligations. 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 contractual cash obligations and commitments table presented above contains our obligations at June 26, 2011 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 which could increase or decrease amounts actually paid.

Long-Term Debt

On May 11, 2011, we issued and sold $450.0 million in aggregate principal amount of 0.5% convertible notes due 2016 (the "2016 Notes") and $450.0 million in aggregate principal amount of 1.25% convertible notes due 2018 (the "2018 Notes," and collectively with the "2016 Notes", the "Notes"). The 2016 Notes were issued at par and pay interest at a rate of 0.5% per annum and the 2018 Notes were issued at par and pay interest at rate of 1.25% per annum. The Notes may be converted into our common stock, under certain circumstances, based on an initial conversion rate of 15.8687 shares of our common stock per $1,000 principal amount of Notes, which is equal to a conversion price of approximately $63.02 per share of our common stock. The conversion price will be subject to adjustment in some events but will not be adjusted for accrued interest. Concurrently with the issuance of the Notes, we purchased convertible note hedges for $181.1 million and sold warrants for $133.8 million. The separate convertible note hedges and warrant transactions are structured to reduce the potential future economic dilution associated with the conversion of the Notes.

The net proceeds from the offering of the Notes were approximately $835.5 million, which includes proceeds from convertible notes and warrant sales, offset by issuance fees and purchase of convertible note hedges. We used a portion of the net proceeds from the offering of the Notes to repurchase 1,000,000 shares of our common stock at a purchase price of $47.56 per share. The balance of the net proceeds of the offering is intended to be used for general corporate purposes, including working capital and capital expenditures. We may also use a portion of the net proceeds to acquire other businesses, products or technologies, or to repurchase shares of our common stock under our share repurchase program.

During fiscal year 2011 and fiscal year 2010 we made $4.5 million and $21.0 million in principal payments on long-term debt and capital leases, respectively. 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.

In addition to the convertible notes, our remaining total long-term debt, excluding interest, of $3.9 million as of June 26, 2011 consists of various bank loans and government subsidized technology loans supporting operating needs.

Other Guarantees

We have issued certain indemnifications to our lessors for taxes and general liability under some of our agreements. We have entered into certain insurance contracts that may limit our exposure to such indemnifications. As of June 26, 2011, we had 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 we will pay any amounts under these guarantees.

Generally, we indemnify, under pre-determined conditions and limitations, our customers for infringement of third-party intellectual property rights by our products or services. We seek to limit our liability for such 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 we will pay any material amounts under these guarantees.

Warranties

We offer standard warranties on our systems. 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.

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

Investments

We maintain an investment portfolio of various holdings, types, and maturities. As of June 26, 2011, our 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 our Consolidated Statement of Operations. All of our 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.

Interest Rate Risk

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 26, 2011 were as follows:

	Valuation of Securities Given an Interest Rate Decrease of X Basis Points			Fair Value as of June 26, 2011	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	$328,288	$325,971	$323,655	$321,339	$319,022	$316,706	$314,390
US Treasury & Agencies	8,726	8,650	8,573	8,496	8,419	8,342	8,265
Government-Sponsored Enterprises	20,058	19,994	19,931	19,868	19,805	19,742	19,679
Foreign Government Bond	1,007	1,006	1,005	1,005	1,004	1,003	1,002
Corporate Notes and Bonds	386,126	384,894	383,663	382,432	381,200	379,969	378,737
Mortgage Backed Securities — Residential	2,676	2,661	2,647	2,633	2,619	2,605	2,591
Mortgage Backed Securities — Commercial	61,924	61,526	61,127	60,729	60,330	59,931	59,533
Total	$808,805	$804,702	$800,601	$796,502	$792,399	$788,298	$784,197

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.

Long-Term Debt

As of June 26, 2011, we had $900 million in principal amount of fixed-rate long-term debt outstanding, with a carrying amount of $722 million. The fair value of our Notes is subject to interest rate risk, market risk and other factors due to the convertible feature. Generally, the fair value of Notes will increase as interest rates fall and/or our common stock price increases, and decrease as interest rates rise and/or our common stock price decreases. The interest and market value changes affect the fair value of our Notes but do not impact our financial position, cash flows, or results of operations due to the fixed nature of the debt obligations. We do not carry the Notes at fair value, but present the fair value of the principal amount of our Notes for disclosure purposes. As of June 26, 2011 the carrying value of the Notes approximates fair value as interest rates on comparable debt have not changed significantly since issuance of the Notes.

Our long-term debt includes $1.2 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.

Equity Price Risk

Publicly Traded Securities

The values of our investments in publicly traded securities, including mutual funds related to our obligations under our deferred compensation plans, 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 26, 2011 were as follows:

	Valuation of Securities Given an X% Decrease in Stock Price			Fair Value as of June 26, 2011	Valuation of Securities Given an X% Increase in Stock Price		
	(25%)	(15%)	(10%)	0.00%	10%	15%	25%
				(in thousands)			
Mutual Funds	$14,601	$16,547	$17,521	$19,467	$21,414	$22,388	$24,334
Publicly traded equity securities	$ 5,582	$ 6,327	$ 6,699	$ 7,443	$ 8,188	$ 8,560	$ 9,304
Total	$20,183	$22,874	$24,220	$26,910	$29,602	$30,948	$33,638

Foreign Currency Exchange ("FX") Risk

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, Euro-denominated expenses and monetary assets and liabilities, as well as monetary assets and liabilities denominated in Swiss francs 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 and Euro-denominated expenses, 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 and/or expense is recognized. We also enter into foreign currency forward contracts to hedge the gains and losses generated by the remeasurement of Japanese yen, Euros, Swiss franc and Taiwanese dollar-denominated monetary assets and liabilities against the U.S. dollar. 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 26, 2011 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 Gain/(Loss) June 26, 2011	Valuation of Fx Contracts Given an X% Increase (+)/ Decrease(-) in Each Fx Rate	
				+/-(10%)	+/-(15%)
			(in $ Millions)		
Cash Flow Hedge					
Sell	JPY	$109.0	($1.2)	$10.9	$16.3
Buy	EUR	$105.9	$ 1.7	$10.6	$15.9
		$214.9	$ 0.5	$21.5	$32.2

The notional amount and unrealized loss of our outstanding foreign currency forward contracts that are designated as balance sheet hedges, as of June 26, 2011 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 Gain/(Loss) June 26, 2011	Valuation of Fx Contracts Given an X% Increase (+)/ Decrease(-) in Each Fx Rate	
				+/-(10%)	+/-(15%)
			(in $ Millions)		
Balance Sheet Hedge					
Sell	JPY	$ 61.9	$ 0.1	$ 6.2	$ 9.3
Buy	CHF	$257.5	$ 0.0	$25.8	$38.6
Buy	TWD	$ 82.6	($0.7)	$ 8.3	$12.4
Buy	EUR	$ 41.8	$ 0.1	$ 4.2	$ 6.3
		$443.8	($0.5)	$44.5	$66.6

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 26, 2011, 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 26, 2011 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 2011 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 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 2011 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 3, 2011 (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 2011 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 92 of this 2011 Form 10-K and is incorporated herein by this reference.

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

	June 26, 2011	June 27, 2010
ASSETS		
Cash and cash equivalents	$ 1,492,132	$ 545,767
Short-term investments	630,115	280,690
Accounts receivable, less allowance for doubtful accounts of $4,720 as of June 26, 2011 and $10,609 as of June 27, 2010	590,568	499,890
Inventories	396,607	318,479
Deferred income taxes	78,435	46,158
Prepaid expenses and other current assets	88,935	65,677
Total current assets	3,276,792	1,756,661
Property and equipment, net	270,458	200,336
Restricted cash and investments	165,256	165,234
Deferred income taxes	3,892	26,218
Goodwill	169,182	169,182
Intangible assets, net	47,434	67,724
Other assets	124,380	102,037
Total assets	$ 4,057,394	$ 2,487,392
LIABILITIES AND STOCKHOLDERS' EQUITY		
Trade accounts payable	$ 163,541	$ 121,099
Accrued expenses and other current liabilities	358,756	309,397
Deferred profit	157,207	123,194
Current portion of long-term debt, convertible notes, and capital leases	4,782	4,967
Total current liabilities	684,286	558,657
Long-term debt, convertible notes, and capital leases	738,488	17,645
Income taxes payable	113,582	110,462
Other long-term liabilities	51,193	32,493
Total liabilities	1,587,549	719,257
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 — 123,579 shares at June 26, 2011 and 125,946 shares at June 27, 2010	124	126
Additional paid-in capital	1,531,465	1,452,939
Treasury stock, at cost, 40,995 shares at June 26, 2011 and 36,884 shares at June 27, 2010	(1,761,591)	(1,581,417)
Accumulated other comprehensive income (loss)	9,761	(69,849)
Retained earnings	2,690,086	1,966,336
Total stockholders' equity	2,469,845	1,768,135
Total liabilities and stockholders' equity	$ 4,057,394	$ 2,487,392

See Notes to Consolidated Financial Statements

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

	Year Ended		
	June 26, 2011	**June 27, 2010**	**June 28, 2009**
Revenue	$3,237,693	$2,133,776	$1,115,946
Cost of goods sold	1,740,461	1,166,219	706,219
Cost of goods sold — restructuring and impairments	—	3,438	20,993
Cost of goods sold — 409A expense	—	(5,816)	—
Total costs of goods sold	1,740,461	1,163,841	727,212
Gross margin	1,497,232	969,935	388,734
Research and development	373,293	320,859	288,269
Selling, general and administrative	308,075	240,942	233,061
Goodwill impairment	—	—	96,255
Restructuring and impairments	11,579	21,314	44,513
409A expense	—	(38,590)	3,232
Legal judgment	—	—	4,647
Total operating expenses	692,947	544,525	669,977
Operating income (loss)	804,285	425,410	(281,243)
Other income (expense), net:			
Interest income	15,572	8,598	24,283
Interest expense	(5,380)	(994)	(6,497)
Foreign exchange gains (losses)	(11,085)	(103)	922
Other, net	(2,516)	(2,770)	(558)
Income (loss) before income taxes	800,876	430,141	(263,093)
Income tax expense	77,128	83,472	39,055
Net income (loss)	$ 723,748	$ 346,669	$ (302,148)
Net income (loss) per share:			
Basic net income (loss) per share	$ 5.86	$ 2.73	$ (2.41)
Diluted net income (loss) per share	$ 5.79	$ 2.71	$ (2.41)
Number of shares used in per share calculations:			
Basic	123,529	126,933	125,595
Diluted	125,019	128,126	125,595

See Notes to Consolidated Financial Statements

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

	Year Ended		
	June 26, 2011	June 27, 2010	June 28, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 723,748	$ 346,669	$(302,148)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	74,759	71,401	72,417
Deferred income taxes	(10,721)	13,718	30,545
Restructuring charges, net	11,579	24,752	65,506
Equity-based compensation expense	53,012	50,463	53,042
Income tax benefit on equity-based compensation plans	28,775	10,635	(14,294)
Excess tax benefit on equity-based compensation plans	(23,290)	(10,234)	6,273
Amortization of convertible note discount	3,554	—	—
Goodwill impairment	—	—	96,255
Other, net	(2,341)	3,190	9,353
Changes in operating asset and liability accounts:			
Accounts receivable, net of allowance	(89,716)	(246,653)	152,086
Inventories	(77,461)	(79,701)	46,052
Prepaid expenses and other assets	(25,282)	(23,647)	5,888
Trade accounts payable	42,320	71,600	(39,381)
Deferred profit	34,012	77,407	(82,464)
Accrued expenses and other liabilities	138,080	41,113	(177,259)
Net cash provided by (used for) operating activities	881,028	350,713	(78,129)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures and intangible assets	(127,495)	(35,590)	(44,282)
Acquisitions of business, net of cash acquired	—	—	(19,457)
Purchases of available-for-sale securities	(564,485)	(192,755)	(209,298)
Sales and maturities of available-for-sale securities	210,962	114,768	383,062
Purchase of other investments	(417)	(2,184)	(3,439)
Loans made	—	(800)	(8,375)
Proceeds from sale of assets	1,544	—	—
Transfer of restricted cash and investments	(22)	13,205	(92,206)
Net cash provided by (used for) investing activities	(479,913)	(103,356)	6,005
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on long-term debt and capital lease obligations	(4,530)	(21,040)	(256,047)
Net proceeds from issuance of long-term debt & convertible notes	882,831	336	625
Proceeds from sale of warrants	133,830	—	—
Purchase of convertible note hedge	(181,125)	—	—
Excess tax benefit on equity-based compensation plans	23,290	10,234	(6,273)
Treasury stock purchases	(211,316)	(93,032)	(30,946)
Net cash received in settlement of (paid in advance for) stock repurchase contracts	(149,589)	—	—
Reissuances of treasury stock	21,194	17,452	19,797
Proceeds from issuance of common stock	12,401	13,386	12,014
Net cash provided by (used for) financing activities	526,986	(72,664)	(260,830)
Effect of exchange rate changes on cash	18,264	(3,093)	(25,416)
Net increase (decrease) in cash and cash equivalents	946,365	171,600	(358,370)
Cash and cash equivalents at beginning of year	545,767	374,167	732,537
Cash and cash equivalents at end of year	$1,492,132	$ 545,767	$ 374,167
Schedule of noncash transactions			
Acquisition of leased equipment	$ —	$ —	$ 454
Accrued payables for stock repurchases	$ —	$ 13,500	$ —
Supplemental disclosures:			
Cash payments for interest	$ 232	$ 878	$ 7,808
Cash payments for income taxes	$ 70,774	$ 16,261	$ 33,583

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 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
Sale of common stock	1,619	1	13,386	—	—	—	13,387
Purchase of treasury stock	(2,982)	(3)	—	(106,531)	—	—	(106,534)
Income tax benefit on equity-based compensation plans	—	—	10,635	—	—	—	10,635
Reissuance of treasury stock	777	1	1,224	20,807	—	(4,579)	17,453
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

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
Balance at June 27, 2010	125,946	$126	$1,452,939	$(1,581,417)	$(69,849)	$1,966,336	$1,768,135
Sale of common stock	1,744	2	12,404	—	—	—	12,406
Purchase of treasury stock	(4,790)	(5)	(149,589)	(197,840)	—	—	(347,434)
Income tax benefit on equity-based compensation plans	—	—	28,775	—	—	—	28,775
Reissuance of treasury stock	679	1	3,549	17,666	—	2	21,218
Equity-based compensation expense	—	—	53,012	—	—	—	53,012
Issuance of convertible notes	—	—	110,655	—	—	—	110,655
Sale of warrants			133,830				133,830
Purhcase of convertible note hedge			(114,110)				(114,110)
Components of comprehensive income:							
Net income	—	—	—	—	—	723,748	723,748
Foreign currency translation adjustment	—	—	—	—	80,695	—	80,695
Unrealized gain on fair value of derivative financial instruments, net	—	—	—	—	6,994	—	6,994
Unrealized gain on financial instruments, net	—	—	—	—	621	—	621
Less: Reclassification adjustment for gains included in earnings	—	—	—	—	(7,514)	—	(7,514)
Change in retiree medical benefit	—	—	—	—	(1,186)	—	(1,186)
Total comprehensive income							803,358
Balance at June 26, 2011	123,579	$124	$1,531,465	$(1,761,591)	$ 9,761	$2,690,086	$2,469,845

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, such as electronics demand, memory pricing, and foundry utilization rates, 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 2011, 2010, and 2009 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 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 received customer acceptance, completed its system installation obligations, 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 selling prices, provided the elements have value on a stand-alone basis. Our sales arrangements do not include a general right of return. 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. When goods or services have been delivered to the customer but all conditions for revenue recognition have not been met, the Company defers revenue recognition until customer acceptance and records the deferred revenue and/or deferred costs of sales in deferred profit on the Consolidated Balance Sheet.

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. 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 its systems. The Company records a provision for estimated warranty expenses to cost of sales for each system upon revenue recognition. 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 as incurred.

Equity-based Compensation — Employee Stock Purchase Plan ("ESPP") and Employee Stock Plans: The Company recognizes the fair value of equity-based awards as employee compensation expense. 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 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. The Company tracks these stock award attributes separately and recognizes 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.

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. 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 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 tax 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-likely-than-not 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 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 26, 2011 and included 52 weeks. The fiscal years ended June 27, 2010 and June 28, 2009 also included 52 weeks. The Company's next fiscal year, ending on June 24, 2012 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: Investments purchased with an original final maturity of three months or less are considered to be cash equivalents. The Company also invests in certain mutual funds, which include equity and fixed income securities, related to its obligations under its deferred compensation plan, and such investments are classified as trading securities on the consolidated balance sheets. 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. Differences between the cost and fair value of trading securities are 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 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 and Intangibles): 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 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.

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 and expenses transactions denominated in Japanese yen and Euros, 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 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 and expenses are 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.

Guarantees: The Company has certain operating leases that contain provisions whereby the properties subject to the operating leases may be remarketed at lease expiration. The Company has guaranteed to the lessor an amount approximating the lessor's investment in the property. The Company has recorded a liability for certain guaranteed residual values related to these specific operating lease agreements. Also, the Company's 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. 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.

Note 3: Recent Accounting Pronouncements

In September 2009, the Financial Accounting Standards Board ("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. The Company adopted this guidance on June 28, 2010, on a prospective basis, and the adoption did not 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. The Company adopted this guidance on June 28, 2010, on a prospective basis, and the adoption did not have a significant impact on its results of operations or financial condition.

In June 2011, the FASB issued new authoritative guidance that increases the prominence of items reported in other comprehensive income (OCI) by eliminating the option to present components of OCI as part of the statement of changes in stockholders' equity. The amendments in this standard require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Under either method, adjustments must be displayed for items that are reclassified from OCI to net income in the financial statements where the components of net income and the components of OCI are presented. This guidance does not affect the underlying accounting for components of OCI, but will change the presentation of the Company's financial statements. The Company will adopt this authoritative guidance retrospectively in the first quarter of its fiscal year 2013.

Note 4: Financial Instruments

Fair Value

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.

A fair value hierarchy has been established 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 26, 2011:

		Fair Value Measurement at June 26, 2011		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
Assets				
Short-Term Investments				
Money Market Funds	$1,300,098	$1,300,098	$ —	$—
Municipal Notes and Bonds	321,339	—	321,339	—
US Treasury and Agencies	8,496	8,496	—	—
Government-Sponsored Enterprises	19,868	—	19,868	—
Foreign Government Bonds	1,005	—	1,005	—
Corporate Notes and Bonds	382,432	164,885	217,547	—
Mortgage Backed Securities — Residential	2,633	—	2,633	—
Mortgage Backed Securities — Commercial	60,729	—	60,729	—
Total Short-Term Investments	**$2,096,600**	**$1,473,479**	**$623,121**	**$—**
Equities	7,443	7,443	—	—
Mutual Funds	19,467	19,467	—	—
Derivatives Assets	1,994	—	1,994	—
Total	**$2,125,504**	**$1,500,389**	**$625,115**	**$—**
Liabilities				
Derivative liabilities	$ 1,924	$ —	$ 1,924	$—

The amounts in the table above are reported in the consolidated balance sheet as of June 26, 2011 as follows:

Reported As:	Total	(Level 1)	(Level 2)	(Level 3)
		(In thousands)		
Cash Equivalents	$1,301,600	$1,300,098	$ 1,502	$—
Short-Term Investments	630,115	8,496	621,619	—
Restricted Cash and Investments	164,885	164,885	—	—
Prepaid Expenses and Other Current Assets	26,910	26,910	—	—
Other Assets	1,994	—	1,994	—
Total	**$2,125,504**	**$1,500,389**	**$625,115**	**$—**
Accrued Expenses and Other Current Liabilities	$ 1,924	$ —	$ 1,924	$—

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				
Short-Term Investments				
Money Market Funds	$470,936	$470,936	$ —	$—
Municipal Notes and Bonds	103,903	—	103,903	—
US Treasury and Agencies	3,447	—	3,447	—
Government-Sponsored Enterprises	6,060	6,060	—	—
Foreign Government Bonds	1,008	—	1,008	—
Corporate Notes and Bonds	289,437	169,723	119,636	78
Mortgage Backed Securities — Residential	6,106	—	6,106	—
Mortgage Backed Securities — Commercial	42,964	—	42,964	—
Total Short-Term Investments	**$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	—	—
Total	**$951,684**	**$672,479**	**$279,127**	**$78**
Accrued Expenses and Other Current Liabilities	$ 470	$ —	$ 470	$—

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, excluding convertible notes, 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 estimated fair value of convertible notes approximates their carrying value as interest rates on comparable debt have not changed significantly since issuance of the notes. 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 26, 2011				June 27, 2010			
	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value
Cash	$ 190,903	$ —	$ —	$ 190,903	$ 67,830	$ —	$ —	$ 67,830
Fixed Income Money Market Funds	1,300,098	—	—	1,300,098	470,936	—	—	470,936
Municipal Notes and Bonds	319,913	1,510	(84)	321,339	102,130	1,784	(11)	103,903
US Treasury and Agencies	8,462	34	—	8,496	3,437	10	—	3,447
Government-Sponsored Enterprises	19,864	6	(2)	19,868	5,976	84	—	6,060
Foreign Government Bonds	1,004	1	—	1,005	1,007	1	—	1,008
Corporate Notes and Bonds	380,992	1,498	(58)	382,432	287,922	1,608	(93)	289,437
Mortgage Backed Securities — Residential	2,521	144	(32)	2,633	5,825	323	(42)	6,106
Mortgage Backed Securities — Commercial	60,639	277	(187)	60,729	42,765	275	(76)	42,964
Total Cash and Short-Term Investments	**$2,284,396**	**$3,470**	**$ (363)**	**$2,287,503**	**$ 987,828**	**$4,085**	**$ (222)**	**$ 991,691**
Publicly Traded Equity Securities	$ 9,320	$ —	$(1,877)	$ 7,443	$ 9,471	$ —	$(1,835)	$ 7,636
Mutual Funds	17,975	1,492	—	19,467	19,043	—	(919)	18,124
Total Financial Instruments	**$ 2,311,691**	**$ 4,962**	**$(2,240)**	**$ 2,314,413**	**$1,016,342**	**$ 4,085**	**$(2,976)**	**$1,017,451**
As Reported								
Cash and Cash Equivalents	$ 1,492,132	$ —	$ —	$ 1,492,132	$ 545,766	$ 1	$ —	$ 545,767
Short-Term Investments	627,008	3,470	(363)	630,115	276,828	4,084	(222)	280,690
Restricted Cash and Investments	165,256	—	—	165,256	165,234	—	—	165,234
Prepaid Expenses Other Assets	27,295	1,492	(1,877)	26,910	28,514	—	(2,754)	25,760
Total	**$ 2,311,691**	**$ 4,962**	**$(2,240)**	**$ 2,314,413**	**$1,016,342**	**$ 4,085**	**$(2,976)**	**$1,017,451**

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 million, $0.9 million and $0.3 million in fiscal years 2011, 2010 and 2009, respectively. Additionally, realized gains/(losses) from sales of investments were approximately $0.7 million and $(0.3) million in fiscal year 2011, $0.8 million and $(0.2) million in fiscal year 2010, $2.2 million and $(1.9) million in fiscal year 2009, respectively.

The following is an analysis of the Company's fixed income securities in unrealized loss positions as of June 26, 2011 (in thousands):

	June 26, 2011					
	UNREALIZED LOSSES LESS THAN 12 MONTHS		UNREALIZED LOSSES 12 MONTHS OR GREATER		TOTAL	
	Fair Value	Unrealized	Fair Value	Unrealized	Fair Value	Unrealized
Fixed Income Securities						
Municipal Notes and Bonds	$ 60,311	$ (84)	$ —	$ —	$ 60,311	$ (84)
Government-Sponsored Enterprises	9,995	(2)	—	—	9,995	(2)
Corporate Notes and Bonds	43,383	(58)	—	—	43,383	(58)
Mortgage Backed Securities — Residential	—	—	273	(32)	273	(32)
Mortgage Backed Securities — Commercial	32,539	(187)	—	—	32,539	(187)
Total Fixed Income	**$146,228**	**$(331)**	**$273**	**$(32)**	**$146,501**	**$(363)**

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 26, 2011		June 27, 2010	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
	(in thousands)			
Due in less than one year	$1,606,390	$1,606,925	$723,143	$723,707
Due in more than one year	487,103	489,675	196,855	200,154
	$2,093,493	$2,096,600	$919,998	$923,861

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 and Euro-denominated expenses, 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 prospectively and retrospectively for effectiveness using regression analysis. 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 time value related to these contracts was not material for all reported periods. 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. There were no gains or losses during the twelve months ended June 26, 2011 or 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.

To receive hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge and the hedges must be tested to demonstrate an expectation of providing highly effective 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 26, 2011, the Company had gains of $0.6 million accumulated in Other Comprehensive Income, which it expects to reclassify from Other Comprehensive Income into earnings over the next 12 months.

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 26, 2011, the Company had the following outstanding foreign currency forward contracts that were entered into to hedge forecasted revenues and purchases:

	Derivatives Designated as Hedging Instruments:	Derivatives Not Designated as Hedging Instruments:
	(in thousands)	
Foreign Currency Forward Contracts		
Sell JPY	$ 107,912	$ 62,012
Buy CHF	—	257,588
Buy EUR	103,590	41,802
Buy TWD	—	83,368
	$ 211,502	$ 444,770

The fair value of derivatives instruments in the Company's consolidated balance sheet as of June 26, 2011 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 hedging instruments:				
Foreign exchange forward contracts	Prepaid expense and other assets	$1,881	Accrued liabilities	$(1,142)
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts	Prepaid expense and other assets	113	Accrued liabilities	(782)
Total derivatives		**$1,994**		**$(1,924)**

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 hedging instruments:				
Foreign exchange forward contracts	Prepaid expense and other assets	$ 30	Accrued liabilities	$ (52)
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts	Prepaid expense and other assets	2,033	Accrued liabilities	(418)
Total derivatives		**$2,063**		**$(470)**

The effect of derivative instruments designated as cash flow hedges on the Company's consolidated statements of operations for the twelve months ended June 26, 2011 and June 27, 2010 was as follows:

	Twelve Months Ended June 26, 2011			
	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 Hedging Instruments:				
Foreign exchange forward contracts	$(5,134)	$(5,716)	$—	$516

	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 Hedging Instruments:				
Foreign exchange forward contracts	$388	$404	$—	$59

(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 26, 2011 and June 27, 2010 was as follows:

	Twelve Months Ended	
	June 26, 2011	June 27, 2010
	Gain (Loss) Recognized (5)	Gain (Loss) Recognized (5)
	(in thousands)	
Derivatives Not Designated as Hedging Instruments:		
Foreign exchange forward contracts	$55,362	$(17,367)

(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, 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 must have a minimum rating of A2 / A at the time of original purchase, as rated by two of the following three rating agencies: Moody's, Standard & Poor's (S&P), or Fitch. 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 and on contracts related to structured share repurchase agreements. These counterparties are large international financial institutions and to date, no such counterparty has failed to meet its financial obligations to the Company.

As of June 26, 2011, three customers accounted for approximately 17%, 14%, and 10% of accounts receivable. As of June 27, 2010, two customers accounted for approximately 24% and 22 % 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 26, 2011	June 27, 2010
	(in thousands)	
Raw materials	$212,979	$159,574
Work-in-process	69,013	67,114
Finished goods	114,615	91,791
	$396,607	$318,479

Note 6: Property and Equipment

Property and equipment, net, consist of the following:

	June 26, 2011	June 27, 2010
	(in thousands)	
Manufacturing, engineering and office equipment	$ 345,684	$ 253,925
Computer equipment and software	95,770	77,249
Land	14,758	15,574
Buildings	65,429	61,145
Leasehold improvements	55,833	55,300
Furniture and fixtures	15,258	14,095
	592,732	477,288
Less: accumulated depreciation and amortization	(322,274)	(276,952)
	$ 270,458	$ 200,336

Depreciation expense, including amortization of capital leases, during fiscal years 2011, 2010, and 2009 was $54.0 million, $47.8 million, $48.4 million, respectively.

Note 7: Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	June 26, 2011	June 27, 2010
	(in thousands)	
Accrued compensation	$206,313	$164,579
Warranty reserves	40,951	31,756
Income and other taxes payable	51,183	54,874
Other	60,309	58,188
	$358,756	$309,397

Note 8: Other Income (Expense), Net

The significant components of other income (expense), net, are as follows:

	Year Ended		
	June 26, 2011	June 27, 2010	June 28, 2009
	(in thousands)		
Interest income	$ 15,572	$ 8,598	$24,283
Interest expense	(5,380)	(994)	(6,497)
Foreign exchange gains (losses)	(11,085)	(103)	922
Other, net	(2,516)	(2,770)	(558)
	$ (3,409)	$ 4,731	$18,150

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 26, 2011	June 27, 2010	June 28, 2009
	(in thousands, except per share data)		
Numerator:			
Net income (loss)	$723,748	$346,669	$(302,148)
Denominator:			
Basic average shares outstanding	123,529	126,933	125,595
Effect of potential dilutive securities:			
Employee stock plans	1,490	1,193	—
Diluted average shares outstanding	125,019	128,126	125,595
Net income (loss) per share — basic	$ 5.86	$ 2.73	$ (2.41)
Net income (loss) per share — diluted	$ 5.79	$ 2.71	$ (2.41)

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 26, 2011	June 27, 2010	June 28, 2009
	(in thousands)		
Number of options and RSUs excluded	241	577	2,699

Diluted shares outstanding do not include any effect resulting from warrants, assumed conversion of the Notes, or note hedges (as described in Note 13) as their impact would have been anti-dilutive.

Note 10: Comprehensive Income (Loss)

The components of comprehensive income (loss), on an after-tax basis where applicable, are as follows:

	Year Ended		
	June 26, 2011	June 27, 2010	June 28, 2009
	(in thousands)		
Net income (loss)	$723,748	$346,669	$(302,148)
Foreign currency translation adjustment	80,695	(13,868)	(58,587)
Unrealized gain (loss) on fair value of derivative financial instruments, net	6,994	(414)	(6,633)
Unrealized gain on financial instruments, net	621	2,062	1,192
Reclassification adjustment for loss (gain) included in earnings	(7,514)	(645)	501
Postretirement benefit plan adjustment	(1,186)	(4,162)	85
Comprehensive income (loss)	$803,358	$329,642	$(365,590)

The balance of accumulated other comprehensive income (loss), on an after-tax basis where applicable, is as follows:

	June 26, 2011	June 27, 2010
	(in thousands)	
Accumulated foreign currency translation adjustment	$14,852	$(65,843)
Accumulated unrealized gain (loss) on derivative financial instruments	581	(1)
Accumulated unrealized gain on financial instruments	744	1,225
Postretirement benefit plan adjustment	(6,416)	(5,230)
Accumulated other comprehensive income (loss)	$ 9,761	$(69,849)

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 ("RSUs"), of Lam Research Common Stock. In addition, these plans permit the grant of nonstatutory equity-based awards to consultants and outside directors. An option is a right to purchase the Company's stock at a set price. An RSU award is an agreement to issue shares of the Company's stock at the time of vesting. 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, typically over a period of two years or less. 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 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
Granted	(922,210)	—	$ —	922,210	$50.11
Exercised		(572,182)	$21.68		
Canceled	157,495	(3,310)	$20.35	(154,185)	$32.20
Expired	(68,869)				
Vested restricted stock				(1,177,447)	$27.03
June 26, 2011	8,754,155	309,933	$21.50	2,331,340	$39.90

Outstanding and exercisable options presented by price range at June 26, 2011 are as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options Outstanding	Weighted-Average Remaining Life (Years)	Weighted-Average Exercise Price	Number of Options Exercisable	Weighted-Average Exercise Price
\$16.14-\$19.25	10,315	0.18	\$16.52	10,315	\$16.52
\$20.21-\$22.79	220,258	2.63	\$20.23	220,258	\$20.23
\$23.61-\$24.69	51,200	0.18	\$24.00	51,200	\$24.00
\$25.98-\$26.19	3,060	0.23	\$26.02	3,060	\$26.02
\$27.79-\$29.06	25,100	3.45	\$29.05	25,100	\$29.05
\$16.14-\$29.06	309,933	2.26	\$21.50	309,933	\$21.50

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 26, 2011 there were a total of 2,641,273 shares subject to options and restricted stock units issued and outstanding under the Company's Stock Plans. As of June 26, 2011, there were a total of 8,754,155 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. Key provisions of the ESPP include (i) an annual increase in 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 repurchases for such purpose and (ii) authorization of 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 repurchases, 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 2011, 2010, and 2009, the number of shares of Lam Research Common Stock reserved for issuance under the 1999 ESPP increased by 1.9 million each year.

During fiscal year 2011, a total of 679,406 shares of the Company's Common Stock were sold to employees under the 1999 ESPP. At June 26, 2011, 9,672,531 shares were available for purchase under the 1999 ESPP.

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. The Company recognized or realized the following equity-based compensation expenses and benefits during the fiscal years noted:

	Year Ended		
	June 26, 2011	June 27, 2010	June 28, 2009
		(in millions)	
Equity-based compensation expense	$53.0	$50.5	$53.0
Income tax benefit recognized in the Consolidated Statement of Operations related to equity-based compensation	$ 8.6	$ 8.3	$ 9.1
Tax benefit realized from the exercise and vesting of options and RSUs	$16.3	$11.1	$ 8.1

Stock Options and Restricted Stock Units

Stock Options

The Company did not grant any stock options during fiscal years 2011 or 2010. 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 2011, 2010, and 2009 is presented below:

	Year Ended		
	June 26, 2011	June 27, 2010	June 28, 2009
		(millions)	
Intrinsic value — options outstanding	$ 6.73	$16.50	$6.70
Intrinsic value — options exercisable	$ 6.73	$ 6.96	$4.50
Intrinsic value — options exercised	$16.70	$ 9.98	$7.20

As of June 26, 2011, all stock options outstanding are fully vested and all related compensation expense has been recognized. Cash received from stock option exercises was $12.4 million, $13.4 million, and $12.0 million during fiscal years 2011, 2010, and 2009, 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 26, 2011, there was $58.7 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 1.3 years.

ESPP

ESPP rights were valued using the Black-Scholes model. During fiscal years 2011, 2010, and 2009 ESPP was valued assuming no expected dividends and the following weighted-average assumptions:

	Year Ended		
	June 26, 2011	**June 27, 2010**	**June 28, 2009**
Expected life (years)	0.68	0.78	0.68
Expected stock price volatility	42.25%	59.07%	74.00%
Risk-free interest rate	0.61%	0.61%	0.41%

As of June 26, 2011, there was $1.2 million of total unrecognized compensation cost related to the ESPP that is expected to be recognized over a remaining vesting period of 2 months.

Note 12: Retirement and Deferred Compensation Plans

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 fully vested in the Company matching contributions, and investments are directed by participants. The Company made matching contributions of approximately $5.1 million, $4.3 million, and $4.7 million in fiscal years 2011, 2010, and 2009, respectively.

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 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 26, 2011 and June 27, 2010 the liability of the Company to the plan participants was $62.5 million and $55.1 million, respectively, which was recorded in accrued expenses and other current liabilities on the Consolidated Balance Sheets. As of June 26, 2011 and June 27, 2010 the Company had investments in the aggregate amount of $64.7 million and $53.0 million respectively that correlate to the deferred compensation obligations, which were 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 $13.6 million and $8.9 million as of June 26, 2011 and June 27, 2010, respectively.

Note 13: Long Term Debt

The following table reflects the carrying value of the Company's convertible notes and other long-term debt as of June 26, 2011:

	June 26, 2011	June 27, 2010
	(in millions)	
0.50% Notes due 2016	$ 450.0	$ —
Less: Unamortized interest discount	$ (74.4)	—
Net carrying amount of 0.50% Notes 2016	$ 375.6	—
1.25% Notes due 2018	450.0	—
Less: Unamortized interest discount	(103.2)	—
Net carrying amount of 1.25% Notes 2018	346.8	—
Other long-term debt	3.9	7.0
Total long-term debt	$ 726.3	$7.0

Convertible Senior Notes

In May 2011, the Company issued and sold $450 million in aggregate principal amount of 0.5% Convertible Senior Notes due May 2016 (the "2016 Notes") at par. At the same time, the Company issued and sold $450 million in aggregate principal amount of 1.25% Convertible Senior Notes due May 2018 (the "2018 Notes", and collectively with the 2016 Notes the "Notes") at par. The Notes may be converted, under certain circumstances, based on an initial conversion rate of 15.8687 shares of common stock per $1,000 principal amount of notes (which represents an initial conversion price of approximately $63.02 per share of common stock).

The net proceeds to the Company from the sale of the Notes were $835.5 million. The Company pays cash interest at an annual rate of 0.5% and 1.25%, respectively, on the 2016 and 2018 Notes, payable semi-annually on May 15 and November 15 of each year, beginning November 15, 2011. Debt issuance costs were approximately $17.2 million, of which $3.5 million was allocated to capital in excess of par value and $13.7 million was allocated to deferred issuance costs and is amortized to interest expense over the term of the Notes.

The Company separately accounts for the liability and equity components of the Notes. The initial debt components of the 2016 and 2018 Notes were valued at $373.8 million and $345.1 million, respectively, based on the present value of the future cash flows using discount rates of 4.29% and 5.27%, respectively, the Company's borrowing rate at the date of the issuance for similar debt instruments without the conversion feature. The carrying value of the equity components were $74.4 million and $103.2 million, respectively, as of June 26, 2011. The effective interest rates on the liability components of the 2016 Notes and 2018 Notes for the year ended June 26, 2011 were 4.29% and 5.27%, respectively. The following table presents the amount of interest cost recognized relating to both the contractual interest coupon and amortization of the discount on the liability component of the Notes during the year ended June 26, 2011.

	June 26, 2011
	(in millions)
Contractual interest coupon	$1.1
Amortization of interest discount	3.6
Total interest cost recognized	$4.7

The remaining bond discount of the 2016 Notes and 2018 Notes of $74.4 million and $103.2 million, respectively, as of June 26, 2011 will be amortized over the respective remaining lives of the Notes

The 2016 Notes may be converted at any time prior to the close of business on the business day immediately preceding February 15, 2016, at the option of the holder, only under the following circumstances: 1) during the five business-day period after any ten consecutive trading-day period (the "measurement period") in which the trading price per $1,000 principal amount of 2016 notes for each day of such measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the applicable conversion rate on each such trading day; 2) during any fiscal quarter commencing after the fiscal quarter ending September 25, 2011, if the last reported sale price of the Company's common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price in effect on the last trading day of the immediately preceding fiscal quarter; or 3) upon the occurrence of specified corporate events. On and after February 15, 2016 until the close of business on the second scheduled trading day immediately preceding the maturity date of May 15, 2016, holders may convert their notes at any time, regardless of the foregoing circumstances.

Upon conversion, a holder will receive the conversion value of the 2016 Notes to be converted equal to the conversion rate multiplied by the volume weighted average price of the Company's common stock during a specified period following the conversion date. The conversion value of each 2016 Note will be paid in: 1) cash equal to the principal amount of the note, and 2) to the extent the conversion value exceeds the principal amount of the note, common stock (plus cash in lieu of any fractional shares of common stock). The conversion price will be subject to adjustment in some events but will not be adjusted for accrued interest. Upon a "fundamental change" at any time, as defined, the Company will in some cases increase the conversion rate for a holder who elects to convert its 2016 Notes in connection with such fundamental change. In addition, the holders may require the Company to repurchase for cash all or a portion of their notes upon a "designated event" at a price equal to 100% of the principal amount of the notes being repurchased plus accrued and unpaid interest, if any.

Concurrently with the issuance of the 2016 Notes, the Company purchased a convertible note hedge and sold warrants. The separate convertible note hedge and warrant transactions are structured to reduce the potential future economic dilution associated with the conversion of the 2016 Notes and to increase the initial conversion price to $71.34 per share. Each of these components is discussed separately below:

Convertible Note Hedge. Counterparties agreed to sell to the Company up to approximately 7.1 million shares of the Company's common stock, which is the number of shares initially issuable upon conversion of the 2016 Notes in full, at a price of $63.02 per share. The convertible note hedge transaction will be settled in net shares and will terminate upon the earlier of the maturity date of the 2016 Notes or the first day none of the 2016 Notes remains outstanding due to conversion or otherwise. Settlement of the convertible note hedge in net shares, based on the number of shares issued upon conversion of the 2016 Notes, on the expiration date would result in the Company receiving net shares equivalent to the number of shares issuable by the Company upon conversion of the 2016 Notes. Should there be an early unwind of the convertible note hedge transaction, the number of net shares potentially received by the Company will depend upon 1) the then existing overall market conditions, 2) the Company's stock price, 3) the volatility of the Company's stock, and 4) the amount of time remaining before expiration of the convertible note hedge. The convertible note hedge transaction cost of $76.2 million has been accounted for as an equity transaction. The Company initially recorded approximately $28.2 million in stockholders' equity from the net deferred tax liability related to the convertible note hedge at inception of the transaction.

Sold Warrants. The Company received $57.6 million from the same counterparties from the sale of warrants to purchase up to approximately 7.1 million shares of the Company's common stock at an exercise price of $71.34 per share. As of June 26, 2011, the warrants had an expected life of 4.9 years and expire between August 15, 2016 and October 21, 2016. At expiration, the Company may, at its option, elect to settle the warrants on a net share basis. As of June 26, 2011, the warrants had not been exercised and remained outstanding. The value of the warrants was initially recorded in equity and continues to be classified as equity.

The 2018 Notes may be converted at any time prior to the close of business on the business day immediately preceding February 15, 2018, at the option of the holder only under the following circumstances: 1) during the five business-day period after any ten consecutive trading-day period (the "measurement period") in which the trading price per 1,000 principal amount of 2018 notes for each day of such measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the applicable conversion rate on each such trading day; 2) during any fiscal quarter commencing after the fiscal quarter ending September 25, 2011, if the last reported sale price of the Company's common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price in effect on the last trading day of the immediately preceding fiscal quarter; or 3) upon the occurrence of specified corporate events. On and after February 15, 2018 until the close of business on the second scheduled trading day immediately preceding the maturity date of May 15, 2018, holders may convert their notes at any time, regardless of the foregoing circumstances.

Upon conversion, a holder will receive the conversion value of the 2018 Notes to be converted equal to the conversion rate multiplied by the volume weighted average price of the Company's common stock during a specified period following the conversion date. The conversion value of each 2018 Notes will be paid in: 1) cash equal to the principal amount of the note, and 2) to the extent the conversion value exceeds the principal amount of the note, common stock (plus cash in lieu of any fractional shares of common stock). The conversion price will be subject to adjustment in some events but will not be adjusted for accrued interest. Upon a "fundamental change" at any time, as defined, the Company will in some cases increase the conversion rate for a holder who elects to convert its 2018 Notes in connection with such fundamental change. In addition, the holders may require the Company to repurchase for cash all or a portion of their notes upon a "designated event" at a price equal to 100% of the principal amount of the notes being repurchased plus accrued and unpaid interest, if any.

Concurrently with the issuance of the 2018 Notes, the Company purchased a convertible note hedge and sold warrants. The separate convertible note hedge and warrant transactions are structured to reduce the potential future economic dilution associated with the conversion of the 2018 Notes and to increase the initial conversion price to $76.10 per share. Each of these components is discussed separately below:

Convertible Note Hedge. Counterparties agreed to sell to the Company up to approximately $7.1 million shares of the Company's common stock, which is the number of shares initially issuable upon conversion of the 2018 Notes in full, at a price of $63.02 per share. The convertible note hedge transaction will be settled in net shares and will terminate upon the earlier of the maturity date of the 2018 Notes or the first day none of the 2018 Notes remains outstanding due to conversion or otherwise. Settlement of the convertible note hedge in net shares, based on the number of shares issued upon conversion of the 2018 Notes, on the expiration date would result in the Company receiving net shares equivalent to the number of shares issuable by the Company upon conversion of the 2018 Notes. Should there be an early unwind of the convertible note hedge transaction, the number of net shares potentially received by the Company will depend upon 1) the then existing overall market conditions, 2) the Company's stock price, 3) the volatility of the Company's stock, and 4) the amount of time remaining before expiration of the convertible note hedge. The convertible note hedge transaction cost of $104.9 million has been accounted for as an equity transaction. The Company initially recorded approximately $38.8 million in stockholders' equity from the net deferred tax liability related to the convertible note hedge at inception of the transaction.

Sold Warrants. The Company received $76.3 million from the same counterparties from the sale of warrants to purchase up to approximately 7.1 million shares of the Company's common stock at an exercise price of $76.10 per share. As of June 26, 2011, the warrants had an expected life of 6.9 years and expire between August 15, 2018 and October 23, 2018. At expiration, the Company may, at its option, elect to settle the warrants on a net share basis. As of June 26, 2011, the warrants had not been exercised and remained outstanding. The value of the warrants was initially recorded in equity and continues to be classified as equity.

Other Long-term Debt

The Company's remaining total long-term debt, excluding convertible notes, of $3.9 million as of June 26, 2011 consists of various bank loans and government subsidized technology loans supporting operating needs.

The Company's contractual cash obligations relating to its convertible notes and other long-term debt June 26, 2011 were as follows:

	Long-term Debt (in thousands)
Payments due by period:	
One year	$ 3,211
Two years	664
Three years	—
Four years	—
Five years	450,000
Over 5 years	450,000
Total	903,875
Current portion of long-term debt	3,211
Long-term debt	$900,664

Note 14: 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 capital lease obligations. The Company's off-balance sheet arrangements include contractual relationships for operating leases, purchase obligations, and certain guarantees. The Company's commitments relating to capital leases off-balance sheet agreements are included in the table below. These amounts exclude $113.6 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 15, 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 Company's contractual cash obligations relating to its existing capital leases, including interest, as of June 26, 2011 were as follows:

	Capital Leases
	(in thousands)
Payments due by period:	
One year	$ 1,900
Two years	1,873
Three years	1,593
Four years	1,592
Five years	2,352
Over 5 years	8,931
Total	18,241
Interest on capital leases	1,275
Current portion of capital leases	1,571
Capital leases	$15,395

Operating Leases and Related Guarantees

The Company leases most of its administrative, R&D and manufacturing facilities, regional sales/service offices and certain equipment under non-cancelable operating leases. Certain of the Company's facility leases for buildings located at its Fremont, California headquarters and certain other facility leases provide the Company with options 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 2011, 2010, and 2009 was approximately $ 9 million, $6 million, and $9 million, respectively.

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.

The Operating Leases have a term of approximately seven years ending on the first business day in January 2015. 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 pay the amount of the lessor's investment in the property and any accrued but unpaid rent.

The Company is required, pursuant to the terms of the Operating Leases, 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. This amount is recorded as restricted cash in the Company's Consolidated Balance Sheet as of as of June 26, 2011.

When the terms of the Operating Leases expire, the property subject to that Operating Lease may be remarketed. The Company has guaranteed to the lessor that each property will have a certain minimum residual value. 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 the lessor's aggregate investment in the applicable property, which in no case will exceed $164.9 million, in the aggregate.

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 26, 2011, 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 years 2010 and 2011, the Company recognized restructuring charges of $13.0 million and $13.7 million, respectively, related to the reassessment of the residual value guarantee for such lease. Accordingly, an amount of $26.7 million has been recorded in other long-term liabilities.

The Company's contractual cash obligations with respect to operating leases, excluding the residual value guarantees discussed above, as of June 26, 2011 were as follows:

	Operating Leases
	(in thousands)
Payments due by period:	
One year	$11,081
Two years	9,199
Three years	7,039
Four years	4,244
Five years	1,608
Over 5 years	830
Total	$34,001

Other Guarantees

The Company has issued certain indemnifications to its lessors for taxes and general liability under some of its agreements. The Company has entered into certain insurance contracts that may limit its exposure to such indemnifications. As of June 26, 2011, the Company had 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, under pre-determined conditions and limitations, its customers for infringement of third-party intellectual property rights by the Company's products or services. The Company seeks to limit its liability for such 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 guarantees.

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 26, 2011 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.

The Company's commitments related to these agreements as of June 26, 2011 are as follows:

	Purchase Obligations
	(in thousands)
Payments due by period:	
One year	$192,766
Two years	42,406
Three years	24,318
Four years	16,712
Five years	13,043
Over 5 years	1,040
Total	$290,285

Warranties

The Company provides standard warranties on its systems. 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 26, 2011	June 27, 2010
	(in thousands)	
Balance at beginning of period	$ 31,756	$ 21,185
Warranties issued during the period	51,721	36,875
Settlements made during the period	(39,915)	(18,673)
Expirations and change in liability for pre-existing warranties during the period	(3,299)	(7,301)
Changes in foreign currency exchange rates	688	(330)
Balance at end of period	$ 40,951	$ 31,756

Note 15: Income Taxes

The components of income (loss) before income taxes are as follows:

	Year Ended		
	June 26, 2011	June 27, 2010	June 28, 2009
		(in thousands)	
United States	$159,250	$140,309	$ 26,200
Foreign	641,626	289,832	(289,293)
	$800,876	$430,141	$(263,093)

Significant components of the provision (benefit) for income taxes attributable to income before income taxes are as follows:

	Year Ended		
	June 26, 2011	June 27, 2010	June 28, 2009
	(in thousands)		
Federal:			
Current	$ 55,119	$38,221	$ (6,523)
Deferred	(25,143)	11,438	11,668
	$ 29,976	$49,659	$ 5,145
State:			
Current	$ 3,159	$ 6,126	$ (487)
Deferred	26,589	5,009	8,047
	$ 29,748	$11,135	$ 7,560
Foreign:			
Current	$ 22,556	$22,813	$15,017
Deferred	(5,152)	(135)	11,333
	$ 17,404	$22,678	$26,350
Total Provision for Income Taxes	$ 77,128	$83,472	$39,055

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 26, 2011	June 27, 2010
	(in thousands)	
Deferred tax assets:		
Tax carryforwards	$ 33,152	$ 50,182
Allowances and reserves	85,751	63,143
Inventory valuation differences	8,861	7,764
Equity-based compensation	8,019	6,202
Capitalized R&D expenses	2,722	5,027
Other	8,743	5,088
Gross deferred tax assets	147,248	137,406
Valuation allowance	(46,201)	(36,957)
Net deferred tax assets	101,047	100,449
Deferred tax liabilities:		
Fixed assets depreciation and intangibles amortization	(23,145)	(20,188)
State cumulative temporary differences	(802)	(10,118)
Amortization of goodwill	(7,768)	(6,026)
Gross deferred tax liabilities	(31,715)	(36,332)
Net deferred tax assets	$ 69,332	$ 64,117

Realization of the Company's net deferred tax assets is based upon the weighting 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 deferred tax assets will be realized with the exception of $46.2 million related to California and certain foreign deferred tax assets.

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, the Company will only recognize an excess benefit from stock-based compensation in additional 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 such as the R&D tax credit through the consolidated statement of operations.

As of June 26, 2011, the Company had a California net operating loss carryforward of approximately $2.3 million. If not utilized, the net operating loss carryforward will begin to expire in the year 2030. In the event the tax benefits are realized, an immaterial amount would be credited to additional paid-in capital.

At June 26, 2011, the Company had federal and state tax credit carryforwards of approximately $145.4 million, of which approximately $30.2 million will expire in varying amounts between fiscal years 2030 and 2032. The remaining balance of $115.1 million of tax carryforwards may be carried forward indefinitely. The tax benefits relating to approximately $36.8 million of the tax credit carryforwards will be credited to additional paid-in-capital when recognized.

At June 26, 2011, the Company had foreign net operating loss carryforwards of approximately $41.6 million, of which approximately $25.4 million may be carried forward indefinitely and $16.2 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 2011, 2010 and 2009) to actual income expense is as follows:

	Year Ended		
	June 26, 2011	June 27, 2010	June 28, 2009
	(in thousands)		
Income tax expense computed at federal statutory rate	$ 280,306	$150,549	$ (92,083)
State income taxes, net of federal tax benefit	9,322	4,754	(4,550)
Foreign income taxed at different rates	(217,982)	(84,081)	125,124
Tax credits	(16,503)	(4,410)	(9,273)
State valuation allowance, net of federal tax benefit	10,078	4,627	12,109
Equity-based compensation	12,244	11,847	10,985
Other, net	(337)	186	(3,257)
	$ 77,128	$ 83,472	$ 39,055

The Company's effective tax rate on income before tax for the year was 9.6% which was lower than the United States federal statutory rate of 35% due to geographical mix of income between higher and lower foreign tax jurisdictions, favorable recognition of the U.S. federal research tax credit, and tax benefits related to the recognition of previously unrecognized tax benefits due to the settlement of audits and statute of limitations expiration.

Effective from fiscal year 2003 through June 2013, the Company has 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 $119.5 million, $45.9 million, and $0 million for fiscal years 2011, 2010, and 2009, respectively. The benefit of the tax holiday on diluted earnings per share was approximately $0.96 in fiscal year 2011, $0.36 in fiscal year 2010, and $0.00 in fiscal year 2009.

Unremitted earnings of the Company's foreign subsidiaries included in consolidated retained earnings aggregated to approximately $1.54 billion at June 26, 2011. 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 $387.3 million at current statutory rates. The Company's federal income tax provision includes U.S. income taxes on certain foreign-based income.

As of June 26, 2011, the total gross unrecognized tax benefits were $181.5 million compared to $190.5 million as of June 27, 2010, and $178.4 million as of June 28, 2009. During fiscal year 2011, gross unrecognized tax benefits decreased by approximately $9.0 million. The amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate was $120.4 million, $153.8 million, and $125.5 million as of June 26, 2011, June 27, 2010, and June 28, 2009, respectively. The aggregate changes in the balance of gross unrecognized tax benefits were as follows:

	(in millions)
Balance as of June 29, 2008	**$143.8**
Settlements and effective settlements with tax authorities	—
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	(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**
Settlements and effective settlements with tax authorities	(24.2)
Lapse of statute of limitations	(5.2)
Increases in balances related to tax positions taken during prior periods	13.7
Decreases in balances related to tax positions taken during prior periods	(13.4)
Increases in balances related to tax positions taken during current period	20.1
Balance as of June 26, 2011	**$181.5**

The Company recognizes interest expense and penalties related to the above unrecognized tax benefits within income tax expense. The Company had accrued $16.9 million, $18.5 million, and $19.1 million, cumulatively, for gross interest and penalties as of June 26, 2011, June 27, 2010 and June 28, 2009, respectively.

The Company completed a number of income tax audits in the U.S. and other foreign jurisdictions in fiscal year 2011. As a result of the settlement of these audits, the Company reduced its unrecognized tax benefits by approximately $24.2 million in fiscal year 2011.

The Internal Revenue Service ("IRS") is examining the Company's U.S. income tax return for fiscal year 2008 and 2009. The Company is also under audit by the California Franchise Tax Board ("FTB") for fiscal years 2005 and 2006. As of June 26, 2011, 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. In addition, the Company is also subject to audits by foreign tax authorities.

The Company files U.S. federal, U.S. state, and foreign income tax returns. As of June 26, 2011, tax years 2003-2010 remain subject to examination in the jurisdictions where the Company operates.

The Company is in various stages of the examinations in connection with all of its tax audits worldwide and it is difficult to determine when these examinations will be settled. It is reasonably possible that over the next twelve-month period the Company may experience an increase or decrease in its unrecognized tax benefits. It is not possible to determine either the magnitude or the range of any increase or decrease at this time.

Note 16: Goodwill and Intangible Assets

Goodwill

There were no changes in goodwill or accumulated impairment during the twelve months ended June 26, 2011 or June 27, 2010. As of both June 26, 2011 and June 27, 2010 gross goodwill and accumulated impairment losses were $265.5 million and $96.3 million, respectively.

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, net attributable to the SEZ acquisition of approximately $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 as of June 26, 2011 (in thousands, except years):

	Gross	Accumulated Amortization	Net	Weighted-Average Useful Life (years)
Customer relationships	$ 35,226	$ (23,468)	$11,758	6.90
Existing technology	61,941	(35,409)	26,532	6.68
Patents	20,670	(14,323)	6,347	6.11
Other intangible assets	35,216	(32,419)	2,797	4.10
	$153,053	$(105,619)	$47,434	6.06

The following table provides details of the Company's intangible assets 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
Patents	20,270	(11,207)	9,063	6.13
Other intangible assets	35,216	(27,783)	7,433	4.10
	$152,310	$(84,586)	$67,724	6.07

The Company recognized $21.0 million, $23.9 million, and $24.0 million, in intangible asset amortization expense during fiscal years 2011, 2010, and 2009, respectively.

The estimated future amortization expense of intangible assets as of June 26, 2011 was as follows (in thousands):

Fiscal Year	Amount
2012	$17,997
2013	16,350
2014	10,377
2015	2,154
2016	381
Thereafter	175
	$47,434

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 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.

Revenues and long-lived assets by geographic region were as follows:

	Year Ended		
	June 26, 2011	June 27, 2010	June 28, 2009
		(in thousands)	
Revenue:			
North America	$ 393,004	$ 186,036	$ 171,359
Europe	423,148	133,685	121,178
Japan	405,371	318,641	234,070
Korea	756,660	539,312	239,911
Taiwan	766,910	703,854	208,053
Asia Pacific	492,600	252,248	141,375
Total revenue	$3,237,693	$2,133,776	$1,115,946

	June 26, 2011	June 27, 2010	June 28, 2009
		(in thousands)	
Long-lived assets:			
North America	$ 278,316	$ 178,055	$ 183,372
Europe	90,063	77,839	90,608
Japan	1,877	1,377	1,776
Korea	14,050	12,379	11,478
Taiwan	4,170	2,627	2,687
Asia Pacific	4,368	4,335	4,077
Total long-lived assets	$ 392,844	$ 276,612	$ 293,998

In fiscal year 2011, revenues from Samsung Electronics Company, Ltd. accounted for approximately 24% of total revenues. 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.

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 2011, 2010, and 2009 for each restructuring Plan:

	Year Ended		
	June 26, 2011	June 27, 2010	June 28, 2009
	(in thousands)		
June 2008 Plan	$ —	$ (2,217)	$19,016
December 2008 Plan	(230)	92	17,849
March 2009 Plan	11,809	20,891	28,641
Total restructuring and asset impairment charges incurred under restructuring plans	11,579	18,766	65,506
Asset impairments outside of specific restructuring plans	—	5,986	—
Total restructuring and assset impairment charges	$11,579	$24,752	$65,506

The amounts in the table above were reported in the Company's consolidated statement of operations for fiscal years ended 2011, 2010, and 2009 as follows:

	Year Ended		
	June 26, 2011	June 27, 2010	June 28, 2009
	(in thousands)		
Cost of goods sold	$ —	$ 3,438	$20,993
Operating expense	11,579	21,314	44,513
Total restructuring and assset impairments	$11,579	$24,752	$65,506

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"). There were no restructuring and asset impairment charges under the June 2008 Plan during fiscal year 2011. Charges during fiscal years 2010 and 2009 were as follows:

	Year Ended	
	June 27, 2010	June 28, 2009
	(in thousands)	
Severance and benefits	$ (42)	$12,554
Facilities	—	—
Abandoned assets	—	3,395
Inventory	(2,175)	3,067
Total restructuring and asset impairment charges	$(2,217)	$19,016

Below is a table summarizing activity relating to the June 2008 Plan. There was no additional activity under this plan during fiscal year 2011 as all liabilities were paid in prior years.

	Severance and Benefits	Facilities	Abandoned Assets	Inventory	Total
			(in thousands)		
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 26, 2011 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"). Charges during fiscal years 2011, 2010 and 2009 were as follows:

	Year Ended		
	June 26, 2011	June 27, 2010	June 28, 2009
		(in thousands)	
Severance and benefits	$(230)	$92	$16,412
Facilities	—	—	618
Inventory	—	—	819
Total restructuring and asset impairment charges	$(230)	$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
Cash payments	(27)	—	—	(27)
Fiscal year 2011 expense	(230)	—	—	(230)
Balance at June 26, 2011	$ 22	$ —	$ —	$ 22

Total charges incurred as of June 26, 2011 under the December 2008 Plan were $17.7 million. The severance and benefits-related balances are anticipated to be paid by the end of fiscal year 2012.

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"). Restructuring and asset impairment charges during fiscal years 2011, 2010 and 2009 under the March 2009 Plan were as follows:

	Year Ended		
	June 26, 2011	June 27, 2010	June 28, 2009
	(in thousands)		
Severance and benefits	$ (43)	$ 472	$23,038
Facilities	11,852	19,832	2,265
Abandoned assets	—	587	3,008
Inventory	—	—	330
Total restructuring and asset impairment charges	$11,809	$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
Fiscal year 2011 expense	(43)	11,852	—	—	11,809
Cash payments	(222)	(598)	—	—	(820)
Balance at June 26, 2011	$ —	$28,106	$ —	$ —	$ 28,106

Total charges incurred as of June 26, 2011 under the March 2009 Plan were $61.3 million. 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 Board of Directors authorized the repurchase of up to $250 million of Company common stock from the public market or in private purchases. This repurchase program had no termination date, could have been suspended or discontinued at any time and was funded using the Company's available cash. The Company temporarily suspended repurchases under the program during the December 2008 quarter. On February 2, 2010, the Board of Directors authorized the resumption of the repurchase program. The Company completed the repurchase of all amounts available under this share repurchase authorization during the quarter ended September 26, 2010.

On September 10, 2010, the Board of Directors authorized the repurchase of up to an additional $250 million of Company common stock using the Company's available cash. These repurchases can be conducted on the open market or as private purchases and may include the use of derivative contracts with large financial institutions. This repurchase program has no termination date and may be suspended or discontinued at any time.

Repurchases under the repurchase program were as follows during the periods indicated:

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)			
Available balance as of June 27, 2010				$130,693
Authorization of up to $250 million — September 2010				$380,693
Quarter ended September 26, 2010	3,389	$130,693	$38.56	$250,000
Quarter ended December 26, 2010	—	$ —	$ —	$250,000
Quarter ended March 27, 2011	—	$ —	$ —	$250,000
Quarter ended June 26, 2011	18	$ 756	$42.00	$249,244

In addition to shares repurchased under Board authorized repurchase programs shown above are (i) 1,000,000 shares repurchased at a total cost of $47.6 million in connection with the convertible note offering and authorized by the Board independent of the publicly announced plans and (ii) 383,000 shares acquired at a total cost of $18.9 million which the Company withheld through net share settlements to cover tax withholding obligations upon the vesting of restricted stock unit awards granted under the Company's equity compensation plans and. The shares retained by the Company through these net share settlements are not a part of the Board-authorized repurchase program but instead are authorized under the Company's equity compensation plans.

As part of its share repurchase program, the Company may from time-to-time enter into structured share repurchase arrangements with financial institutions using general corporate funds. These arrangements generally require the Company to make an up-front cash payment in exchange for the right to receive shares of its common stock or cash at the expiration of the agreement, dependent upon the closing price of the Corporation's common stock at the settlement date. During 2011 the Company entered into structured share repurchase arrangements which, in the aggregate, required up-front cash payments totaling $200 million. One of these arrangements, which required the Company to make an upfront cash payment of $50.0 million, settled during 2011 and based on the closing price of the Company's common stock on the maturity date, resulted in the Company receiving a $50.4 million cash payment, and therefore did not result in the repurchase of any shares of its common stock. As of June 26, 2011, aggregate prepayments of $150 million were outstanding under two such arrangements. These arrangements settle in October 2011 and will result in the receipt of either 1.4 million shares of the Company's common stock or $51.0 million for the first arrangement and 2.6 million shares of the Company's common stock or $103.5 million for the second arrangement. Under these arrangements, any prepayments or cash payments at settlement, are recorded as a component of additional paid in capital in the Company's Consolidated Balance Sheet as of June 26, 2011.

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. The Company does not believe that any of these matters will have a material adverse effect on its consolidated financial condition or results of operations. 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 26, 2011 and June 27, 2010, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended June 26, 2011. 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 26, 2011 and June 27, 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 26, 2011, 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.

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 26, 2011, 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 19, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California
August 19, 2011

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 26, 2011, 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 26, 2011, 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 26, 2011 and June 27, 2010, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended June 26, 2011 of Lam Research Corporation and our report dated August 19, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California
August 19, 2011

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,
Chief Executive Officer and Vice Chairman

Dated: August 19, 2011

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	Chief Executive Officer and Vice Chairman	August 19, 2011
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 19, 2011
Other Directors		
/s/ James W. Bagley James W. Bagley	Executive Chairman	August 19, 2011
/s/ David G. Arscott David G. Arscott	Director	August 19, 2011
/s/ Robert M. Berdahl Robert M. Berdahl	Director	August 19, 2011
/s/ Eric K. Brandt Eric K. Brandt	Director	August 19, 2011
/s/ Michael R. Cannon Michael R. Cannon	Director	August 19, 2011
/s/ Christine Heckart Christine Heckart	Director	August 19, 2011
/s/ Grant M. Inman Grant M. Inman	Director	August 19, 2011
/s/ Catherine P. Lego Catherine P. Lego	Director	August 19, 2011
/s/ Kim Perdikou Kim Perdikou	Director	August 19, 2011
/s/ Abhi Talwalkar Abhi Talwalkar	Director	August 19, 2011

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 26, 2011				
Deducted from asset accounts:				
Allowance for doubtful accounts	$10,609,000	$ 290,000	$(6,179,000)	$ 4,720,000
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

(1) During fiscal year 2011, deductions represent $3.8 million release of reserve and $2.4 million write-off of customer specific accounts. During each of fiscal years 2010 and 2009 deductions represent $0.2 million of write-offs of specific customer accounts.

LAM RESEARCH CORPORATION

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED JUNE 26, 2011
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(18)	Bylaws of the Registrant, as amended, dated May 18, 2011.
3.3(4)	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock dated January 27, 1997.
4.1(21)	Indenture (including Form of Notes), dated as of May 11, 2011, by and between Lam Research Corporation, and The Bank of New York Mellon Trust Company, N.A, as trustee, with respect to the 2016 Notes
4.2(21)	Indenture (including Form of Notes), dated as of May 11, 2011, by and between Lam Research Corporation, and The Bank of New York Mellon Trust Company, N.A, as trustee, with respect to the 2018 Notes
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(22)*	Lam Research Corporation 1999 Employee Stock Purchase Plan, as amended.
4.14(22)*	Lam Research Corporation 2004 Executive Incentive Plan, as amended.
4.15(9)*	Lam Research Corporation 2007 Stock Incentive Plan, as amended.
4.16*	Lam Research Corporation Elective Deferred Compensation Plan.
4.17*	Lam Research Corporation Elective Deferred Compensation Plan II.
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(10)*	Form of Restricted Stock Unit Award Agreement (U.S. Agreement) — Lam Research Corporation 2007 Stock Incentive Plan
10.107(11)	Form of Restricted Stock Unit Award Agreement — Outside Directors (U.S. Agreement) — Lam Research Corporation 2007 Stock Incentive Plan.
10.108(11)	Form of Restricted Stock Unit Award Agreement — Outside Directors (non-U.S. Agreement) — Lam Research Corporation 2007 Stock Incentive Plan.
10.111(12)	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.

Exhibit	Description
10.112(12)	Unconditional Guaranty dated as of March 3, 2008 by Bullen Semiconductor Corporation to ABN AMRO Bank N.V.
10.113(12)	Security Agreement dated as of March 3, 2008 between Lam Research Corporation and ABN AMRO Bank N.V.
10.114(12)	Security Agreement dated as of March 3, 2008 between Bullen Semiconductor Corporation and ABN AMRO Bank N.V.
10.115(12)	Pledge Agreement dated as of March 3, 2008 among Lam Research Corporation and ABN AMRO Bank N.V.
10.117(13)	Lease Agreement (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.118(13)	Pledge Agreement (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.119(13)	Closing Certificate and Agreement (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.120(13)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.121(13)	Lease Agreement (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.122(13)	Pledge Agreement (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.123(13)	Closing Certificate and Agreement (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.124(13)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.125(13)	Lease Agreement (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.126(13)	Pledge Agreement (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.127(13)	Closing Certificate and Agreement (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.128(13)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.129(13)	Lease Agreement (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.130(13)	Pledge Agreement (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.131(13)	Closing Certificate and Agreement (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.132(13)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.133(13)	Lease Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.

Exhibit	Description
10.134(13)	Pledge Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.135(13)	Closing Certificate and Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.136(13)	Agreement Regarding Purchase and Remarketing Options (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.137(13)	Construction Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.138(13)	Lease Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.139(13)	Pledge Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.140(13)	Closing Certificate and Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.141(13)	Agreement Regarding Purchase and Remarketing Options (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.142(13)	Construction Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.143(14)	First Modification Agreement (Fremont Buildings #1, #2, #3, #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated April 3, 2008.
10.144(14)	First Modification Agreement (Livermore Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated April 3, 2008.
10.145(14)	Second Modification Agreement (Livermore Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated July 9, 2008.
10.146(14)	First Modification Agreement (Livermore Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated July 9, 2008.
10.147(15)	First Amendment to Credit Agreement between Lam Research Corporation, ABN AMRO B.V. and the Lenders party thereto, dated September 29, 2008.
10.148(16)*	Form of Indemnification Agreement.
10.149(16)*	Reformation of Stock Option Agreement.
10.150(17)*	Stock Option Amendment and Special Bonus Agreement.
10.151(19)*	Employment Agreement with Stephen G. Newberry, dated July 1, 2009.
10.152(19)*	Employment Agreement with Martin B. Anstice, dated July 1, 2009.
10.153(19)*	Form of Change in Control Agreement.
10.154(19)*	Employment Agreement with Ernest Maddock, dated July 1, 2009.
10.155(20)*	Amended and Restated Employment Agreement between James W. Bagley and Lam Research Corporation, dated November 5, 2010.
10.156(20)*	Amendment to Employment Agreement with Stephen G. Newberry, dated December 7, 2010.
10.157(20)*	Amendment to Employment Agreement with Martin B. Anstice, dated December 7, 2010.
21	Subsidiaries of the Registrant.

Exhibit	Description
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)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(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 Quarterly Report on Form 10-Q for the quarter ended December 24, 2006.

(11) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 25, 2007.

(12) Incorporated by reference to Registrant's Current Report on Form 8-K dated March 7, 2008.

(13) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 24, 2007.

(14) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 28, 2009.

(15) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 28, 2008.

(16) Incorporated by reference to Registrant's Current Report on Form 8-K dated November 13, 2008.

(17) Incorporated by reference to Registrant's Current Report on Form 8-K dated May 8, 2008.

(18) Incorporated by reference to Registrant's Current Report on Form 8-K dated May 18, 2011.

(19) Incorporated by reference to Registrant's Current Report on Form 8-K dated July 31, 2009

(20) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 26, 2010.

(21) Incorporated by reference to Registrant's Current Report on Form 8-K dated May 11, 2011

(22) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 27, 2010.

* Indicates management contract or compensatory plan or arrangement in which executive officers of the Company are eligible to participate.

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 Co. 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.à.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
Lam Research Holding GmbH	Switzerland
Lam Research International Sàrl	Switzerland
Lam Research Co., Ltd.	Taiwan
SEZ Taiwan Co. 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 19, 2011, 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 26, 2011, filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

San Jose, California
August 19, 2011

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 19, 2011

/s/ Stephen G. Newberry

Stephen G. Newberry
Chief Executive Officer and Vice Chairman

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 19, 2011

/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 26, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen G. Newberry, Chief Executive Officer and Vice Chairman 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 19, 2011

/s/ Stephen G. Newberry

Stephen G. Newberry
Chief Executive Officer and Vice Chairman

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 26, 2011 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 19, 2011

/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.

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BOARD OF DIRECTORS

James W. Bagley
Chairman

Stephen G. Newberry
Chief Executive Officer and
Vice Chairman

David G. Arscott
General Partner,
Compass Technology Group

Robert M. Berdahl
President Emeritus,
Association of American Universities

Eric K. Brandt
Executive Vice President and
Chief Financial Officer,
Broadcom Corporation

Michael R. Cannon
General Partner,
MRC & LBC Partners, LLC

Christine Heckart
Chief Marketing Officer,
NetApp

Grant M. Inman
General Partner,
Inman Investment Management

Catherine P. Lego
Member,
Lego Ventures, LLC

Kim Perdikou
Executive Vice President,
Office of the Chief Executive Officer,
Juniper Networks

Abhi Talwalkar
Chief Executive Officer and President,
LSI Corporation

EXECUTIVE OFFICERS

Stephen G. Newberry
Chief Executive Officer and
Vice Chairman

Martin B. Anstice
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

Sarah O'Dowd, Esq.
Group Vice President,
Human Resources and Chief Legal Officer

Mukund Srinivasan, Ph.D.
Vice President and General Manager,
Clean Product Group

Mike Morita
Vice President,
Business Development

201109-01608/15K

Lam Research Corporation
4650 Cushing Parkway
Fremont, California 94538

Phone: 1.510.572.0200
www.lamresearch.com