Lam RESEARCH

2008 Annual Report

In 1997, the new management team at Lam Research introduced a clear vision and strategy to gain market share, improve financial performance, and build a values-driven workforce. By dedicating the Company to its fundamental competencies and articulating a new Mission, Vision, and Core Values, management radically reshaped the Company. Lam built customer trust and improved its profitability by emphasizing its commitment to customer needs and requirements, empowering employees, and focusing on the Company's strengths. This opened up new opportunities for the Company to develop innovative solutions for Lam's products, applications, and services, and made Lam Research one of the most trusted suppliers in the industry.

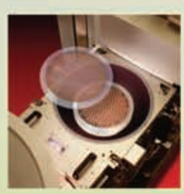
As a result of these efforts, Lam Research has improved its operating performance, increased profitability, and dramatically increased market share to become the undisputed etch market share leader – a position the Company has held for six consecutive years. Together with the recent acquisition of SEZ and Lam's organically developed technologies, the Company is leveraging its expertise into adjacent markets. Lam's multi-market, multi-product position, built around its core etch capability and now extended to a new generation of single-wafer clean products, offers strong growth opportunities for the future.

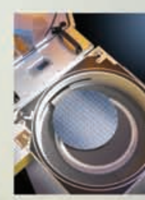
Exelan® series

Introduced the Exelan dielectric etch system, employing Dual Frequency Confined™ plasma source technology, precursor to the 2300® Exelan® Flex™ product family

2300® platform

Launched the 2300 etch series, offering 200 mm and 300 mm wafer size capability on the same platform

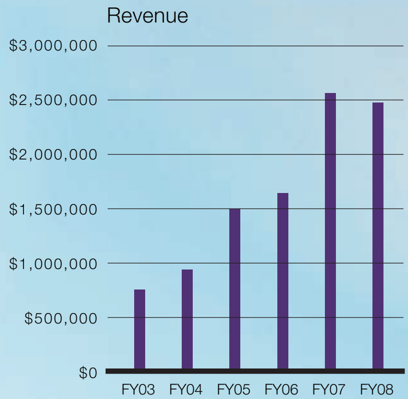


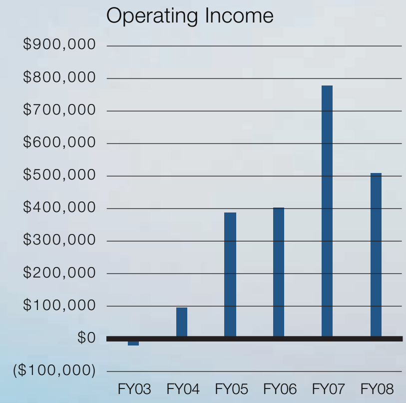


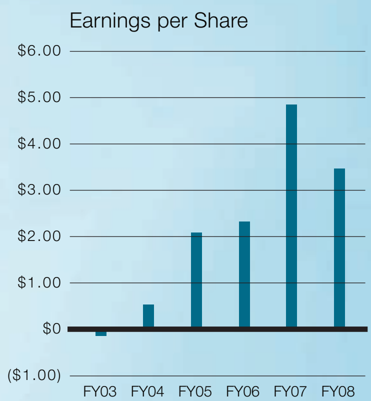
2300® Versys® Kiyo® series

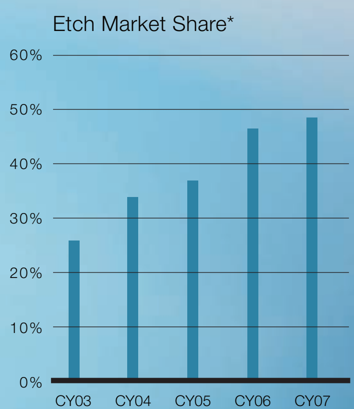
Released the 2300 Versys Kiyo conductor etch series, extending Versys technology to the 65 nm node and beyond

1999 2000 2001 2002 2003

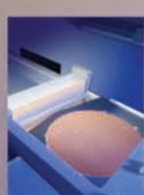








* Shipment-based



C3™ technology

Introduced Confined Chemical Cleaning™ technology for single-wafer wet clean

2300® Coronus™ bevel clean system

Launched 2300 Coronus plasma-based bevel clean system, leveraging plasma expertise for wafer cleaning

DV-Prime™ spin clean system

Expanded product portfolio to include single-wafer Spin-Processor™ technology for wet wafer cleaning

2004 2005 2006 2007 2008

To Our Stockholders:

We are pleased to present you with our 2008 annual report summarizing another year of strong performance for Lam Research. Fiscal year 2008 was a period in which business volume initially rose and then fell, consistent with the cyclical nature of the semiconductor equipment sector. The long term position of the Company overall continues to be positive with a clear strategy for growth in the years ahead.

The Company generated revenues of $2.47 billion and GAAP earnings per share of $3.47 in fiscal year 2008. Both were slightly lower than our record-setting revenue and earnings per share performance of fiscal 2007 primarily as a result of reduced customer spending in the second half of fiscal year 2008. Our continued strong operating performance and cash generation capability allowed us to make a significant strategic acquisition, with cash, and still end the year with a gross cash balance in excess of $1.2 billion.

These achievements are remarkable compared to Lam's performance several years ago. In calendar year 2003 the Company had an estimated shipped etch market share of approximately 28% which has since increased by more than 73%. This makes Lam Research the etch market share leader with an estimated 48.5% shipped market share for calendar year 2007. We grew revenue from approximately $755 million in fiscal year 2003 to almost $2.5 billion for fiscal year 2008, while at the same time expanding GAAP gross margins by seven percentage points, from 39.9% to 47.4%.

The operating performance efficiencies introduced throughout the Company in recent years have facilitated strong cash flow generation. Cash flow from operations was $590 million and GAAP earnings, which were slightly negative in fiscal 2003, increased to $439 million, or $3.47 per share, in fiscal 2008.

As we look to the future, we plan to deliver further growth and value for our stockholders through the strategy we communicated for the first time in early 2006. That strategy comprises four key elements:

- Execute to the needs of our customers
- Extend our leadership position in etch
- Leverage our expertise into adjacent markets
- Deliver best-in-class financial performance

Execute to the Needs of Our Customers We meet the needs of our customers by providing advanced technology hardware and process capability, and by being responsive to the issues our customers face. As our customers have struggled with profitability issues, we have continued to introduce increasingly cost effective solutions focused around continuous improvements in the productivity of our machines and reducing the cost of and extending the lifetime of consumable components in our etch chambers. Our focus on helping customers reduce the cost of ownership has resulted in our receipt of numerous outstanding supplier awards from 8 of the top 10 semiconductor manufacturing companies in the world.

Extend Our Leadership Position in Etch Our production-proven 2300® etch platform offers customers a cost effective path to upgrade to the next generation technology nodes and demonstrates the benefits of our continued cycles of learning and development. This year we launched the third generation of the conductor etch 2300® Versys® Kiyo™ product family, demonstrating the strength and extendibility of this core etch technology.

Our ability to successfully execute to the needs of our customers by providing innovative technology solutions has allowed us to increase our leading market share position in etch. We ended calendar year 2007 with shipped market share of 48.5%, up from 46% in 2006, and in line with our stated goal of expanding share by two to three percentage points for the year. We target gains of 2 to 3 points of market share at each successive technology node.

Leverage Our Expertise into Adjacent Markets The most significant area of strategic focus this year has been the penetration of adjacent markets, both through our organically developed technologies and our acquisition of SEZ Holding AG (SEZ).

Our investments in research and development over the past few years have allowed us to develop proprietary technical differentiation as a catalyst for market penetration and targeted profitability. During fiscal year 2008, those products targeted at markets adjacent to etch began contributing revenue and we advanced our adjacent market strategy further with additional new tool offerings. In fiscal year 2008, Lam Research shipped the industry's first 300 millimeter Through Silicon Via (TSV) etch system for use in the manufacture of 3-D integrated circuits with the 2300® Syndion™ system and made progress in delivering and qualifying advanced etching solutions into the emerging pattern modification markets.

We completed the acquisition of SEZ in March of this year, demonstrating our commitment to the single-wafer clean segment of our adjacent market growth strategy. We believe the acquisition of a market share leader in single-wafer clean accelerates our penetration of the clean market by providing established customer relationships, a sizeable installed base at our customers' manufacturing facilities, and a lengthy history of single-wafer clean processing success.

The SEZ acquisition also targets what we believe is a significant growth opportunity in the single-wafer clean segment. The adoption of more complex device structures and the ongoing creation of ever-smaller device designs creates the need for more precise wafer cleaning solutions. We believe the industry will move many cleaning applications from batch clean processes to single-wafer clean solutions. Approximately 50% of clean steps in wafer fabrication follow an etch process, and our 28 years of knowledge in etch afford Lam Research an opportunity to apply integrated learning to develop differentiated, yield-enhancing single-wafer clean solutions. In the next two to three years, we estimate that approximately 40% of the clean steps in the wafer fabrication process will be performed by single-wafer clean techniques, up from 25% today, offering a sizeable growth opportunity for Lam Research in the future.

Through our initial discovery activities following our acquisition, we are pleased with the hardware and process engineering expertise we gained and the enthusiasm of the SEZ employees. We focused our initial integration activities on creating an integrated Clean Product Group, providing a single point of contact to the customer to allow more effective targeting of each product offering within our broad-based portfolio of single-wafer clean solutions. We positioned numerous evaluation units to take advantage of the transition to single-wafer clean emerging in the front end of line applications.

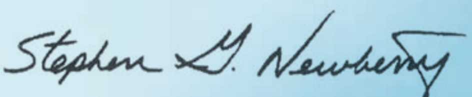
Deliver Best-in-Class Financial Performance The financial model of Lam Research has enabled the Company to generate outstanding performance in recent years, and positions us to operate efficiently during a cyclical downturn in industry spending. As we plan our activities for fiscal year 2009, we observe the growing uncertainty across many sectors in the global economy. As a result, the spending plans of semiconductor manufacturers are increasingly difficult to predict.

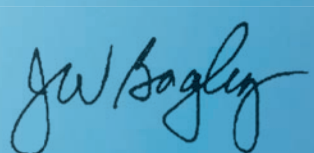
We believe that we can utilize our close relationships with our outsource suppliers and manufacturing supply chain to effectively manage our business in a volatile business climate. The flexibility in our business model allows us to initiate cost containment activities throughout the Company to mitigate expenses throughout the period of reduced spending, and we continue to evaluate options for further cost reduction opportunities.

Looking ahead, we are developing our next generation of technology solutions with the planned introduction of new dielectric and conductor etch chambers on the 2300 platform in the next year. We also continue working diligently to fully integrate SEZ and continue our investments in research and development to enable our ability to capitalize on the adjacent market expansion opportunities we see.

As we move through this challenging near term spending environment, we wish to convey our appreciation on behalf of our employees for your continued investment in our future. Lam's record of performance over the past decade demonstrates our capability to continuously deliver leading edge solutions and strong operational and financial performance, which we will give every effort to continue to achieve as we go forward in these challenging, but opportunity-rich circumstances.

Sincerely,





Stephen G. Newberry
President and Chief Executive Officer

James W. Bagley
Executive Chairman of the Board

October 6, 2008

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
San Jose, California

LEGAL COUNSEL

Heller Ehrman LLP
Menlo Park, 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 or 1.800.522.6645

TDD for Hearing Impaired:
1.800.231.5469

Foreign Shareowners: 1.201.329.8660

TDD Foreign Shareowners:
1.201.680.6610

Web Site 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 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 8:00 a.m. Pacific Time on Thursday, November 6, 2008, at the Company's corporate headquarters.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

With the exception of historical facts, the statements contained in this Letter to Stockholders, Proxy Statement, and Annual Report on Form 10-K 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 are identified. 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, product development, demand, acceptance and market share, competitiveness, gross margins, levels of research and development (R&D), outsourcing plans and operating expenses, the Company's ability to work with suppliers to manage costs and operations, tax expenses, our management's strategic plans and objectives for our current and future operations and the elements of those plans and objectives, management's plans for repurchasing Company stock pursuant to the authorization of our Board, the operational or financial performance of corporate subsidiaries, the completion of the Company's acquisition of SEZ and integration activities associated with the acquisition, potential technological, market share, and customer penetration gains related to the SEZ acquisition, the likelihood and speed of technological and customer-demand shifts toward single-wafer clean solutions and the potential business opportunities such a shift may present for the Company, potential consequences from the Company's investigation of its stock option granting practices and related accounting restatements or other remedial activities, the levels of customer spending or R&D activities, general economic conditions and 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 those discussed in the Annual Report on Form 10-K under the heading "Risk Factors" within Item 1A of the Form 10-K as well as in other documents we file from time to time with the Securities and Exchange Commission 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 actual results to differ materially from those expressed herein and in ways not readily foreseeable. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates made and of information reasonably known to Lam as of the dates the statements were made. We undertake no obligation to release the results of any revisions to these forward-looking statements which may be made to reflect events or circumstances which occur after the date hereof or to reflect the occurrence or effect of anticipated or unanticipated events. All references to fiscal years apply to our fiscal years, which ended June 29, 2008, June 24, 2007, and June 25, 2006.

TRADEMARK INFORMATION

LAM RESEARCH CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held November 6, 2008

To the Stockholders:

NOTICE IS HEREBY GIVEN that the 2008 Annual Meeting of Stockholders of Lam Research Corporation, a Delaware corporation (the "Company" or "Lam Research" or "Lam"), will be held on November 6, 2008, 8:00 a.m., local time, at the principal executive offices of the Company at 4650 Cushing Parkway, Fremont, California 94538, for the following purposes:

1. To elect directors from the nominees of the Board of Directors to serve for the ensuing year, and until their successors are elected;
2. To ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending June 28, 2009; and
3. To transact such other business (other than any nomination of candidates for, or the election of, directors) as may properly come before the meeting, or for any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Only stockholders of record at the close of business on September 12, 2008, are entitled to notice of and to vote at the meeting, and for any adjournment thereof.

All stockholders are cordially invited to attend the meeting in person. However, to assure your representation at the meeting, you are urged to vote by proxy via Internet, telephone, or mail in accordance with the voting instructions on the proxy card. If you vote by mail, please mark, sign, and date the enclosed proxy card and return it as promptly as possible in the postage-prepaid and return-addressed envelope enclosed for that purpose. Any stockholder of record attending the meeting may vote in person, even if the stockholder has previously returned a proxy. Stockholders who wish to cast their votes in person at the meeting must attend the meeting. A simultaneous webcast will be available on Lam's web site at *www.lamresearch.com* for stockholders who cannot attend in person and wish to listen to the Annual Meeting and any discussion by management immediately after its adjournment.

By Order of the Board of Directors,

George M. Schisler, Jr.
Secretary

Fremont, California
October 6, 2008

YOUR VOTE IS IMPORTANT

In order to assure your representation at the meeting, you are requested to vote by proxy via Internet, telephone, or mail in accordance with the voting instructions on the proxy card. If you vote by mail, you should mark, sign, and date the enclosed proxy card as promptly as possible and return it in the enclosed return-addressed envelope.

LAM RESEARCH CORPORATION

PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS
To Be Held November 6, 2008

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LAM RESEARCH CORPORATION

PROXY STATEMENT FOR 2008 ANNUAL MEETING OF STOCKHOLDERS

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed proxy is solicited on behalf of Lam Research Corporation, a Delaware corporation (the "Company" or "Lam Research" or "Lam"), for use at the Annual Meeting of Stockholders to be held Thursday, November 6, 2008, at 8:00 a.m., local time (the "Annual Meeting"), or for any adjournment thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the principal executive offices of the Company at 4650 Cushing Parkway, Fremont, California 94538. The Company's telephone number at that location is (510) 572-0200. Stockholders who wish to cast their votes in person must attend the meeting. For those stockholders who cannot or choose not to attend in person and wish to listen to the proceedings, the Annual Meeting and any discussion by management after its adjournment will be available via simultaneous webcast. The webcast may be accessed via the Lam Internet web site at *www.lamresearch.com* by locating the link in the Investor Relations/Webcasts section of the web site.

These proxy solicitation materials will be mailed on or about October 6, 2008, to all stockholders entitled to vote at the meeting. A copy of Lam's 2008 Annual Report to Stockholders accompanies this Proxy Statement. Lam will furnish a copy of any exhibit to the Annual Report without charge upon written request to: Office of the Secretary, Attn: George Schisler, Jr., Lam Research Corporation, 4650 Cushing Parkway, Fremont, California 94538.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting To Be Held on November 6, 2008: This Proxy Statement and Lam's 2008 Annual Report to Stockholders are available on the Investor Relations page of the Company's web site, *www.lamresearch.com*.

Stockholder Accounts Sharing the Same Address; Householding. In accordance with notices that many stockholders may have previously received with past proxy mailings, only one annual report and proxy statement are being delivered to a stockholder's address even if the stockholder(s) at that address holds Company shares in several accounts, unless contrary instructions from a stockholder at that address have been given. This practice, known as "householding," is intended to reduce environmental impact and waste and the Company's printing and mailing costs for the annual report. However, any stockholder who wishes to receive a separate copy of this Proxy Statement or accompanying Annual Report to Stockholders may request a copy by contacting the bank, brokerage, or other holder-of-record with which such stockholder's shares are held, or by contacting Lam's Investor Relations Department, whose contact information is available at the back of this Annual Report and on the "Investors" page at *www.lamresearch.com*.

Record Date and Principal Share Ownership

Stockholders of record at the close of business on September 12, 2008, are entitled to receive notice of and to vote at the Annual Meeting. At the record date, 125,746,309 shares of the Company's Common Stock were outstanding.

Revocability of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to the Company a written notice of revocation or a duly executed proxy bearing a later date, by entering a new vote via telephone or the Internet, or by attending the Annual Meeting and voting in person. However, attending the Annual Meeting in and of itself does not constitute a revocation of a proxy.

Voting and Solicitation

Each stockholder voting on Proposal No. 1 (the election of directors from the nominees of the Board of Directors (the "Board")) may cumulate such stockholder's votes and give one candidate a number of votes equal to the number of directors to be elected (ten at this meeting) multiplied by the number of shares held by such stockholder, or distribute the stockholder's votes on the same principle among as many candidates as the stockholder deems appropriate. However, votes cannot be cast for more than ten candidates. No stockholder shall be entitled to cumulate votes for a candidate unless the candidate's name has been placed in nomination prior to the voting.

Where no vote is specified or where a vote FOR all nominees is marked, the cumulative votes represented by a proxy will be cast, unless contrary instructions are given, at the direction of the proxy holders in order to elect as many nominees nominated by the Board as believed possible under the then-prevailing circumstances. If a stockholder desires to cumulate his or her votes, the accompanying proxy card should be marked to indicate clearly that the stockholder desires to exercise the right to cumulate votes and should specify how the votes are to be allocated among the listed nominees for directors. For example, a stockholder may write next to the name(s) of the listed nominee or nominees for whom the stockholder desires to cast votes the number of votes to be cast for such nominee or nominees. Alternatively, without exercising his or her right to vote cumulatively, a stockholder may instruct the proxy holders not to vote for one or more nominees by writing the name(s) of such nominee or nominees on the space provided on the proxy card. Unless indicated to the contrary in the space provided on the proxy card, if a stockholder withholds authority to vote for one or more nominees, all cumulative votes of such stockholder will be distributed among the remaining listed nominees at the discretion of the proxy holders.

On all other matters, each share has one vote. Stockholders may vote FOR, AGAINST, or to ABSTAIN from voting with respect to Proposal No. 2 (ratification of the appointment of the independent registered public accounting firm for the Company for the current fiscal year), by properly marking the attached proxy card or otherwise submitting their proxy votes in accordance with the voting instructions.

Votes cast by proxy or in person at the Annual Meeting will be tabulated by or at the direction of the Inspector of Elections (the "Inspector"). The Inspector will also determine whether or not a quorum is present. The ten candidates for election as directors at this year's Annual Meeting who receive the highest number of affirmative votes will be elected. The approval of Proposal No. 2 will require the affirmative vote of a majority of the shares of the Company's Common Stock present or represented and entitled to vote with respect to such matters. The final voting results will be made available on the Company's web site at *www.lamresearch.com* via the Investor Relations page reasonably promptly after the Annual Meeting.

In general, Delaware law provides that a quorum consists of a majority of the shares entitled to vote at the Annual Meeting. Abstentions will be treated as shares that are present or represented and entitled to vote for purposes of determining the presence of a quorum but will not be treated as votes in favor of approving any matter submitted to the stockholders for a vote. Thus, abstentions will have the same effect in this regard as negative votes. Any proxy that is properly dated, executed, and returned using the method or form of proxy enclosed, or properly submitted via telephone or Internet, will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, the shares will be voted for the election of directors as nominated by the Board and for ratification of the appointment of the designated independent registered public accounting firm, and, with respect to any other matter or matters that may come before the meeting, as the proxy holders deem advisable in accordance with recommendations of the Board or, if no such recommendation is given, their reasonable judgment.

For shares held in "street name" through a broker or other nominee, the broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. If a broker indicates on the enclosed proxy or its substitute that he or she does not have discretionary authority as to certain shares to vote on a particular matter ("broker non-votes"), or with respect to shares as to which proxy authority has been withheld with respect to a matter, those shares will be counted as present in determining whether a quorum for the meeting is present but will not be considered as present or represented with respect to that matter. Thus, once it is determined that a quorum is present at the Annual Meeting, broker non-votes will have no effect on either of the two proposals being voted on at the Annual Meeting. The Company believes that the tabulation procedures to be followed by the Inspector are consistent with the general statutory requirements in Delaware concerning voting of shares and determination of a quorum.

Employee participants in the Company's Savings Plus Plan, Lam Research 401(k) (the "401(k) Plan") who held unitized interests in Company stock in their personal 401(k) Plan accounts as of the record date are being provided with this Proxy Statement as a 401(k) Plan participant so that each such participant may vote his or her interest in the Company's Common Stock as held in the 401(k) Plan. Upon receipt of properly marked and returned proxies, the 401(k) Plan trustee or Lam Research Corporation, as the 401(k) Plan Administrator, will vote the aggregate voted proxies of the 401(k) Plan participants in accordance with the proxies received. If a 401(k) Plan participant does not vote his or her interest with respect to the proposals to be voted on at this year's Annual Meeting, then those non-voted shares will not be voted.

The cost of soliciting proxies will be borne by the Company. The Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. Proxies may also be solicited by certain of the Company's directors, officers, and regular employees, without additional compensation, personally or by telephone or other communication means.

Stockholder Proposals to be Included in the Company's 2009 Proxy Statement

Pursuant to Rule 14a-8(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), some stockholder proposals may be eligible for inclusion in the Company's proxy statement for its 2009 annual meeting of stockholders. Any such proposal must be received by the Company no later than June 7, 2009, in order to be eligible for inclusion in such proxy statement. Stockholders interested in submitting such a proposal are advised to contact counsel familiar with the detailed requirements of the applicable securities rules.

Stockholder Proposals and Nominations to be Voted on at 2009 Annual Meeting

Stockholders of the Company may submit proposals, in addition to Rule 14a-8(e) proposals referred to above, that they believe should be voted on at an annual meeting or may nominate persons for election to the Board in accordance with the Company's bylaws.

In accordance with the Company's bylaws, any such proposal or nomination for the 2009 annual meeting, tentatively scheduled for November 5, 2009, must be submitted in writing and received by the Secretary of the Company no earlier than August 7, 2009, and no later than September 6, 2009.

As required by the Company's bylaws, a stockholder's notice to the Secretary of a proposal must set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Company that are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business, and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

A stockholder's notice to the Secretary of a nominee for election to the Board must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Company that are owned beneficially or of record by the person, and (iv) any other information relating to the person 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 election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Company that are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) is to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the person(s) named in its notice, and (v) any other information relating to such stockholder 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 election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

Proposals or nominations that do not meet all applicable requirements will not be entertained at the annual meeting. Submissions or questions should be sent to: George M. Schisler, Jr., Office of the Secretary, Lam Research Corporation, 4650 Cushing Parkway, Fremont, California 94538.

Stockholder nominations for director will be evaluated by Lam's Nominating/Governance Committee in accordance with substantially the same policies and criteria as candidates identified by the Board, its Nominating/Governance Committee, or other sources. See the section entitled *"Corporate Governance"* below.

PROPOSAL NO. 1
ELECTION OF DIRECTORS

NOMINEES FOR DIRECTOR

A board of ten directors is to be elected at the Annual Meeting. By a resolution duly adopted by the Board pursuant to the bylaws of the Company, the Board of Directors has fixed the number of directors at ten. The proxies cannot be voted for a greater number of persons than the ten nominees named below. 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. 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. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them in such a manner in accordance with cumulative voting as will assure the election of as many of the nominees listed below as possible, and in such event the specific nominees to be voted for will be determined by the proxy holders. Discretionary authority to cumulate the votes held by the proxy holders is solicited by this Proxy Statement. The term of office of each person elected as a director will continue until a successor has been elected and qualified, or until his or her earlier resignation or removal.

The following individuals 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, which is based on information furnished by them:

Director	Age*	Director Since	Principal Occupation and Business Experience During Past Five Years
James W. Bagley	69	1997	Mr. Bagley is the Executive Chairman of the Board of Directors. He has been a director of the Company since the merger of Lam Research and OnTrak Systems, Inc., in 1997, and has served as Chairman of the Board since 1998. Mr. Bagley was appointed to the office of Executive Chairman in 2005. From 1997 until 2005, Mr. Bagley served as Chief Executive Officer of the Company. From 1996 to 1997, Mr. Bagley served as Chairman of the Board and Chief Executive Officer of OnTrak Systems, Inc. He was formerly Chief Operating Officer and Vice Chairman of the Board of Applied Materials, Inc., where he also served in other executive positions during his 15-year tenure. Mr. Bagley held various management positions at Texas Instruments, Inc., before he joined Applied Materials. Mr. Bagley is currently a director of Micron Technology, Inc. and Teradyne, Inc.

Director	Age*	Director Since	Principal Occupation and Business Experience During Past Five Years
David G. Arscott[1]	64	1980	Mr. Arscott has been a director of the Company since 1980, and was Chairman of the Board of Directors from 1982 to 1984. He is currently, and has been since 1988, a General Partner of Compass Technology Group, an investment management firm. From 1978 to 1988, Mr. Arscott was a Managing General Partner of Arscott, Norton & Associates, a venture capital firm. Mr. Arscott is a director of Dragnet Solutions, Inc., Percutaneous Systems, Inc., and Toolwire, Inc.
Robert M. Berdahl[2,3]	71	2001	Dr. Berdahl has been a director of the Company since 2001. Dr. Berdahl is currently, and has been since 2006, the President of the Association of American Universities. From 2004 to May 2006, Dr. Berdahl held the position of Professor in the History Department of the University of California, Berkeley and Professor of Public Policy in the Goldman School of Public Policy, UC Berkeley. From 1997 to 2004, Dr. Berdahl served as Chancellor of the University of California, Berkeley. From 1993 to 1997, Dr. Berdahl was President of the University of Texas at Austin, and from 1986 to 1993, he was Vice Chancellor of Academic Affairs of the University of Illinois at Urbana-Champaign.
Richard J. Elkus, Jr.[2,3]	73	1997	Mr. Elkus has been a director of the Company since 1997. He is currently, and has been since 1996, Chairman of Voyan Technology. From 1994 until 1997, Mr. Elkus was Vice Chairman of the Board and Executive Vice President of Tencor Instruments, Inc. Mr. Elkus is also currently a director of Applied MicroStructures, SOPRA S.A., the National Science and Technology Medals Foundation, and the Scripps Research Institute.
Jack R. Harris[2]	66	1982	Mr. Harris has been a director of the Company since 1982. Mr. Harris is currently, and since 2001 has been, Executive Chairman of Metara, Inc., and is currently, and since 1999, has been, Chairman of HT, Inc. Mr. Harris is also a director of HODO, Inc. and Jet Protect.
Grant M. Inman[1,3]	66	1981	Mr. Inman has been a director of the Company since 1981. Mr. Inman is currently, and since 1998 has been, a General Partner of Inman Investment Management. From 1985 until 1998, Mr. Inman was a General Partner of Inman & Bowman, a venture capital investment partnership. Mr. Inman is currently a director of Paychex, Inc., Wind River Systems, Inc., and AlphaCard Systems.

Director	Age*	Director Since	Principal Occupation and Business Experience During Past Five Years
Catherine P. Lego[1]	51	2006	Ms. Lego has been a director of the Company since 2006. Ms. Lego is currently, and since 1999 has been, the General Partner of The Photonics Fund, LLP, a venture capital investment firm. She is also, and since 1992 has been, a member of Lego Ventures, LLC, a technology consulting firm. Ms. Lego is currently a director of SanDisk Corporation and StrataLight Communications.
Stephen G. Newberry	54	2005	Mr. Newberry has been a director of the Company since 2005. He also serves as the Company's President and Chief Executive Officer. Mr. Newberry joined the Company in August 1997 as Executive Vice President and Chief Operating Officer. He was appointed President and Chief Operating Officer in July 1998, and President and Chief Executive Officer in June 2005. Prior to joining the Company, Mr. Newberry held various executive positions at Applied Materials during a 17-year tenure. Mr. Newberry is also a director of SEMI, the industry's trade association.
Seiichi Watanabe[1]	67	2005	Dr. Watanabe has been a director of the Company since 2005. He is currently, and since July 2008 has been, the Representative Director of TechGate Investment, Inc., of Japan. Dr. Watanabe served as executive director of TechGate from July 2007 to July 2008. From 2005 to June 2007, he was the Executive General Manager, Research & Development, for Terumo Corporation of Japan. From 2004 to 2005, Dr. Watanabe served as an Advisor to Sony Corporation following his retirement from Sony in 2004. During his tenure at Sony from 1993 to 2004, Dr. Watanabe served as Executive Vice President of Environmental Affairs, President of Frontier Science Laboratories (Sony), President of the Semiconductor Division, and Director of the Research Center. Dr. Watanabe is also currently a director of Cool.revo, Inc. of Japan.
Patricia S. Wolpert[2]	58	2006	Ms. Wolpert has been a director of the Company since 2006. Ms. Wolpert is currently, and since 2003 has been, the owner of Wolpert Consulting LLC, a sales and marketing consulting firm. From 1972 to 2003, Ms. Wolpert served in a variety of executive positions with International Business Machines, Inc., including: Vice President, Sales Transformation, Americas; Vice President, Central Region, Americas; Vice President, System Sales, South America; and various other executive positions. Ms. Wolpert is currently a director and Chairman of the Board of Teradyne, Inc.

* As of September 12, 2008

(1) Member of Audit Committee.

(2) Member of Compensation Committee.

(3) Member of Nominating/Governance Committee.

CORPORATE GOVERNANCE

Lam Research's Board of Directors and management are committed to responsible corporate governance to ensure that the Company is managed for the long-term benefit of its stockholders. To that end, the Board of Directors and management periodically review and update, as appropriate, the Company's corporate governance policies and practices. In doing so, the Board and management review published guidelines and recommendations of institutional shareholder organizations and current best practices of similarly situated public companies. The Board and management also regularly evaluate and, when appropriate, revise Lam Research's corporate governance policies and practices in accordance with the requirements of the Sarbanes-Oxley Act of 2002 and the rules and listing standards issued by the Securities and Exchange Commission ("SEC") and the NASDAQ® Stock Market, Inc. ("NASDAQ").

Corporate Governance Policies and Practices

Lam Research has instituted a variety of policies and practices to foster and maintain responsible corporate governance, including the following:

Corporate Governance Guidelines — The Company adheres to written Corporate Governance Guidelines, adopted by the Board and reviewed from time to time by the Nominating/Governance Committee, selected provisions of which are detailed below.

Corporate Code of Ethics — The Company maintains a Code of Ethics that applies to all Lam Research employees, officers, and members of the Board. A copy of the Code of Ethics is available on the Company's web site at *www.lamresearch.com* via the Investor Relations page.

Global Standards of Business Conduct Policy — The Company maintains written standards of business conduct applicable to its employees worldwide.

Board Committee Charters — Each of Lam Research's Audit, Compensation, and Nominating/Governance Committees has written charters adopted by Lam Research's Board of Directors that establish practices and procedures for each committee in accordance with applicable corporate governance rules and regulations. Lam Research's Audit, Compensation, and Nominating/Governance Committee Charters are available on the Company's web site at *www.lamresearch.com* via the Investor Relations page.

Board Nomination Policies and Procedures

- **Board Membership Criteria** — Lam Research's Corporate Governance Guidelines provide that nominees for director are evaluated on the basis of a range of criteria, including (but not limited to) business and industry experience, wisdom, integrity, analytical ability, ability to make independent judgments, understanding of the Company's business and competitive environment, willingness and ability to devote adequate time to Board duties, and other appropriate considerations. No director shall be nominated or re-nominated after having attained the age of 75 years, and no director may serve on more than a total of four boards of public companies (including the Company's Board).
- **Nomination Procedure** — The Nominating/Governance Committee is responsible for identifying, evaluating, recommending, and, when so authorized by the Board, nominating candidates for election to the Board, with due consideration for recommendations made by other Board members, the CEO, stockholders, and other sources. In addition to the above criteria, the Nominating/Governance Committee also considers the appropriate balance of experience, skills, and characteristics desirable among the members of the Board. The independent members of the Board either delegate to the Nominating/Governance Committee the authority to nominate candidates for election by the Company's stockholders or review the Nominating/Governance Committee's recommendations and nominate candidates for election to the Board. No material changes to the procedures by which stockholders may nominate or recommend nominees were made during fiscal year 2008. Additional information regarding the nomination procedure is provided in the "*Board Meetings and Committees*" discussion below, and in the section above captioned "*Stockholder Proposals and Nominations to be Voted on at 2009 Annual Meeting.*"

Director Independence

- **Requirements** — Lam Research's Corporate Governance Guidelines require that at least a majority of the Board shall be independent in accordance with NASDAQ rules and other applicable criteria for independence. 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.

- **Current Board Members** — The Board has determined that the following current directors are independent in accordance with NASDAQ criteria for director independence: David Arscott, Robert Berdahl, Richard Elkus, Jr., Jack Harris, Grant Inman, Catherine Lego, Seiichi Watanabe, and Patricia Wolpert.

- **Board Committees** — All members of each of the Company's three standing committees – the Audit, Compensation, and Nominating/Governance Committees – are required to be independent in accordance with NASDAQ and other applicable criteria. See *"Board Meetings and Committees"* below for a description of the responsibilities of the Board's standing committees.

- **Lead Independent Director** — Pursuant to the Corporate Governance Guidelines, the Board may designate an independent director as the Lead Independent Director. Upon appointment, the Lead Independent Director is responsible for coordinating the activities of the independent members of the Board and acting as the principal liaison between the independent directors and the Executive Chairman and CEO when necessary and appropriate. Director Robert Berdahl has served as the Lead Independent Director since 2004.

- **Executive Sessions of Independent Directors** — The Board and its standing committees periodically hold meetings of only the independent directors or Committee members without management present.

Board Access to Independent Advisors

- The Board as a whole, and each of the Board committees separately, have authority to retain and terminate such independent consultants, counselors, or advisors to the Board or a respective committee as each may deem necessary or appropriate.

Board Training and Self-Assessment

- The Corporate Governance Guidelines provide that directors are expected to attend one or more training sessions or conferences to enhance their ability to fulfill their responsibilities. Each of the directors who served during fiscal year 2008 fulfilled this expectation. From time to time, the Nominating/Governance Committee conducts a review of the functioning of the Board and the Board committees.

Director and Executive Officer Stock Ownership

- The Company maintains guidelines for stock ownership by members of the Board. Pursuant to the Company's Corporate Governance Guidelines, each director is expected to own at least 5,000 shares of Lam Research Common Stock by the later of five years after commencing service on the Board or November 2010.

- The Company maintains guidelines for stock ownership by designated members of the executive management team. Under the guidelines, executives designated by the Compensation Committee, including the Chief Executive Officer, the Chief Financial Officer, and certain other officers, are expected to own a number of shares of Lam Research Common Stock equal in value to a multiple of each executive's base annual salary. The multiple varies according to the seniority of the office. Executives are expected to achieve the requisite stock ownership levels by the later of five years following appointment to office or December 2010.

Director Resignation or Notification Upon Change in Executive Officer Status

- The Corporate Governance Guidelines provide that a director who is also an executive officer of the Company shall submit a resignation of his directorship to the Board if the officer ceases to be an executive officer of the Company.
- The Corporate Governance Guidelines require that a non-employee director notify the Nominating/Governance Committee if such director experiences a change of executive position held at another company. Upon any such notification, the Nominating/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/Governance Committee's recommendation.

Shareholder Communications with Board of Directors

- **Direct Communications** — Any stockholder desiring to communicate with the Board of Directors or with any director regarding the Company may write to the Board or the director, c/o George M. Schisler, Jr., Office of the Secretary, Lam Research Corporation, 4650 Cushing Parkway, Fremont, CA 94538. The Office of the Secretary will forward all such communications to the director(s). In addition, 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.
- **Annual Meeting** — The Company encourages its directors to attend the annual meeting of stockholders each year. All of Lam Research's then-current directors attended the 2007 annual meeting.

Additional Policies and Practices

In addition to the measures discussed above, the Company maintains various other policies and practices to promote responsible corporate governance, such as:

- Preparation of a plan of succession for the offices of the CEO and other senior executives.
- Periodic review of committee charters for each of the Audit, Compensation, and Nominating/Governance Committees which address corporate governance issues.
- Evaluation and approval of the CEO's and Executive Chairman's compensation by the independent members of the Board, based on recommendations of the Compensation Committee.
- Evaluation and determination of the compensation of other executive officers by the Compensation Committee.
- Maintenance of disclosure control policies and procedures, including a Disclosure Control Committee.
- Maintenance of a Compliance Committee, composed of the Chief Financial Officer and other Company managers and staff, for the purpose of identifying and addressing securities regulation compliance matters.
- Maintenance of a procedure for receipt and treatment by the Audit Committee of anonymous and/or confidential employee complaints or concerns regarding audit or accounting matters.
- Comparison by the Board and its committees of the Company's corporate governance policies with industry best practices and those of its peers.
- Availability of final proxy vote results on the Lam Research web site reasonably promptly following final compilation of the voting results.

Board Meetings and Committees

The Board of Directors of the Company held a total of twelve regularly scheduled or special meetings during fiscal year 2008. All of the directors who served for the entire fiscal year attended at least 75% of the aggregate number of Board meetings that they were entitled to attend and meetings of Board committees on which they were a member during fiscal year 2008. The Board of Directors has as standing committees an Audit Committee, a Compensation Committee, and a Nominating/Governance Committee.

During fiscal year 2008, the **Audit Committee** consisted of Board members Arscott, Inman, Lego, and Watanabe. The Audit Committee is established in accordance with Section 3(a)(58)(A) of the Exchange Act. All Audit Committee members are non-employee directors who are independent in accordance with the NASDAQ criteria for audit committee member independence. The Audit Committee held twenty meetings during fiscal year 2008. The Audit Committee appoints and provides for the compensation of the Company's independent registered public accounting firm; oversees and evaluates the work and performance of the independent registered public accounting firm; reviews the scope of the audit; considers comments made by the independent registered public accounting firm with respect to accounting procedures and internal controls and the consideration given thereto by the Company's management; approves in accordance with applicable securities laws all professional services to be provided to the Company by its independent registered public accounting firm; reviews internal accounting procedures and controls with the Company's financial and accounting staff; oversees internal audit activities; oversees a procedure that provides for the receipt, retention and treatment of complaints received by the Company and for the confidential and anonymous submission by employees regarding questionable accounting or auditing matters; reviews and approves all related-party transactions; and performs related duties as set forth in applicable securities laws, NASDAQ corporate governance guidelines, and the Committee charter. The Board of Directors has determined that Ms. Lego is an audit committee financial expert pursuant to SEC rules and that Ms. Lego is independent in accordance with the NASDAQ criteria for audit committee member independence.

During fiscal year 2008, the **Compensation Committee** consisted of Board members Berdahl, Elkus, Harris, and Wolpert. All Compensation Committee members are non-employee directors who are independent in accordance with the NASDAQ criteria for director independence. The Compensation Committee held five meetings during fiscal year 2008. The Compensation Committee recommends the salary level, incentives, and other forms of compensation for the Chief Executive Officer and the Executive Chairman, subject to approval by the independent members of the Board. It also approves salary levels, incentives, and other forms of compensation for the other executive officers of the Company. The committee reviews and recommends to the Board all compensation arrangements applicable to the members of the Board. The Compensation Committee reviews, recommends and approves, subject to stockholder and/or Board approval as required, the creation, amendment, or termination of certain equity-based compensation plans of the Company and such other compensation plans as the Board may designate. In addition, this committee has authority with respect to grants of stock options, restricted stock and stock units, deferred stock, and performance share awards to officers and other employees of the Company.

During fiscal year 2008, the **Nominating/Governance Committee** consisted of Board members Berdahl, Elkus, and Inman. All Nominating/Governance Committee members are non-employee directors who are independent in accordance with the NASDAQ criteria for director independence. The Nominating/Governance Committee held three meetings during fiscal year 2008. This committee recommends, for approval by the independent members of the Board, nominees for election as directors of the Company. Pursuant to the committee's charter and the Corporate Governance Guidelines, the Nominating/Governance Committee is also responsible for recommending the composition of Board committees for approval by the Board, reviewing and assessing the Corporate Governance Guidelines from time to time and recommending changes for approval by the Board, reviewing the functioning of the Board and its committees and reporting the evaluation to the Board, and reviewing the suitability of each director for continuing service on the Board.

The Nominating/Governance Committee, upon duly delegated authority from the Board, nominated the slate of nominees for director of the Company as set forth in Proposal No. 1 above. The Nominating/Governance Committee nominated the candidates for director in accordance with the criteria and procedures set forth above in *"Board Nomination Policies and Procedures."*

The Nominating/Governance Committee will consider for nomination persons properly nominated by stockholders in accordance with the same policies and criteria as are applied to other nominees. In order for the Nominating/Governance Committee to consider the nomination of a person submitted by a stockholder for next year's annual meeting, such nomination must be made in accordance with the Company's bylaws and other procedures described above in the section captioned *"Stockholder Proposals and Nominations to be Voted on at 2009 Annual Meeting."*

SECURITY OWNERSHIP
OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth the beneficial ownership of shares of Common Stock of the Company by: (i) each person or entity whom, based on information obtained, the Company believes beneficially owned more than 5% of the Company's Common Stock on the date set forth below, and the address of each such person or entity ("5% stockholder"); (ii) each current director of the Company; (iii) each named executive officer ("named executive") described below in the "*Executive Compensation*" section; and (iv) all current directors and current executive officers as a group. With the exception of 5% stockholders, the information below concerning the number of shares beneficially owned is provided with respect to holdings as of September 12, 2008 (the "Record Date"), the most recent practicable date for such determination, and, with respect to the 5% stockholders, the information below is provided with respect to holdings as of June 30, 2008, unless otherwise identified. The percentage is calculated using 125,746,309 as the number of shares of the Company's Common Stock outstanding as of the Record Date.

Name of Person or Identity of Group	Shares Beneficially Owned [1]	Percent of Class
FMR LLC (Fidelity Management & Research Co.) 82 Devonshire Street Boston, Massachusetts 02109	17,235,566[2]	13.7%
Wellington Management Company LLP 75 State Street Boston, Massachusetts 02109	13,631,400[2]	10.8%
AllianceBernstein LP 13456 Avenue of the Americas New York, New York 10105	9,157,365[2]	7.3%
Capital Group International, Inc. 1100 Santa Monica Blvd. Los Angeles, California 90025	6,917,820[2]	5.5%
James W. Bagley	183,000	*
David G. Arscott	115,853	*
Robert M. Berdahl	42,818	*
Richard J. Elkus, Jr.	145,488	*
Jack R. Harris	88,448	*
Grant M. Inman	156,868	*
Catherine P. Lego	14,118	*
Stephen G. Newberry	210,500	*
Seiichi Watanabe	7,786	*
Patricia S. Wolpert	11,618	*
Martin B. Anstice	16,157	*
Richard A. Gottscho	9,510	*
Abdi Hariri	4,960	*
Ernest E. Maddock	32,374	*
All current directors and current executive officers as a group (15 persons)[3]	1,057,559	*

* Less than one percent

(1) Includes shares subject to outstanding stock options and restricted stock units (RSUs) that are exercisable or vest within 60 days after September 12, 2008, if any, with respect to:

James Bagley	1,000 options	Seiichi Watanabe	—
David Arscott	63,000 options	Patricia Wolpert	—
Robert Berdahl	33,000 options	Martin Anstice	2,849 options
Richard Elkus, Jr.	81,000 options	Thomas Bondur	9,800 options
Jack Harris	63,000 options	Richard Gottscho	—
Grant Inman	51,000 options	Abdi Hariri	1,822 options
Catherine Lego	—	Ernest Maddock	31,850 options
Stephen Newberry	205,250 options		

(2) Information regarding beneficial ownership by the 5% stockholders is based on such entities' respective publicly filed Schedule 13D or 13G prior to June 30, 2008.

(3) Current directors and current executive officers, as of September 12, 2008, include: Mr. Bagley, Mr. Arscott, Dr. Berdahl, Mr. Elkus, Mr. Harris, Mr. Inman, Ms. Lego, Mr. Newberry, Dr. Watanabe, Ms. Wolpert, Mr. Anstice, Mr. Bondur, Mr. Gottscho, Mr. Hariri, and Mr. Maddock.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's executive officers, directors, and persons who own more than 10% of a registered class of the Company's equity securities to file an initial report of ownership on Form 3 and changes in ownership on Forms 4 or 5 with the SEC. Executive officers, directors, and greater-than-10% stockholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) forms they file. Specific due dates for these reports have been established, and the Company is required to disclose in this Proxy Statement any failure to file such reports on a timely basis. Based solely on its review of the copies of such forms received by it, and written representations from certain reporting persons, the Company believes that all of these requirements were satisfied during fiscal year 2008, with the following exceptions: a Form 4 for Mr. Inman due on May 2, 2008 was filed on August 13, 2008; a Form 4 for Ms. Wolpert due on August 14, 2007 was filed on October 3, 2007; a Form 4 for Mr. Gottscho due on April 15, 2008 was filed on August 13, 2008; and Form 4's for Messrs. Anstice, Bondur, Hariri and Maddock due on May 8, 2008 were filed on September 26, 2008.

DIRECTOR COMPENSATION

The compensation of the Company's non-employee directors is reviewed and determined annually by the Board, upon recommendation from the Board's Compensation Committee. All non-employee directors receive a base cash retainer and equity compensation in the form of restricted stock units (RSUs). In addition, committee chairs and the lead independent director receive additional cash retainers. The Board endeavors to maintain the director compensation package in a form and amount that attracts and retains directors of the caliber desired by the Company and that aligns director interests with those of stockholders.

Each non-employee director of the Company receives an annual base cash retainer and an annual equity grant. For calendar year 2007 (the second half of which is part of fiscal year 2008), the Company's non-employee directors received an annual retainer of $42,000, with an additional $2,000 fee paid to the lead independent director and each committee chair.

For calendar year 2008, the Board revised the cash retainer amount as follows: the Company's non-employee directors received an annual base cash retainer of $42,000; an additional retainer of $7,500 for service as the chair of a committee other than the Audit Committee; a retainer of $10,000 for service as the chair of the Audit Committee; and a retainer of $7,500 for service as lead independent director. Directors Lego and Wolpert each received an additional fee for their respective service on the special committee that oversaw the voluntary internal review of historical stock option granting practices. Ms. Lego received an additional $90,000, and Ms. Wolpert received an additional $75,000.

In addition, each non-employee director is eligible to receive an annual equity grant, if any, in an amount, on such terms, and on such date as may be determined annually by the Board. During fiscal year 2008, each non-employee director received a grant of 4,678 RSUs for services during calendar year 2008. Each such RSU grant was issued on May 2, 2008, and, subject to a director's continued service on the Board, vests in full on November 1, 2008.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION & ANALYSIS

Overview

Lam Research's Compensation Committee (the "Committee") oversees and administers compensation policies, programs, and practices applicable to the Company's executive officers at least annually and recommends, where appropriate, material changes for the Board's consideration and approval. In addition, the Committee periodically reviews performance criteria for the Chief Executive Officer designed to further the Company's goals and objectives; evaluates the CEO's performance in light of those performance criteria, goals and objectives; and, based on such evaluation, recommends, for approval by the independent members of the Board, the CEO's compensation package, including any employment agreement.

This Compensation Discussion & Analysis ("CD&A") discusses our compensation program for fiscal year 2008 and also covers actions regarding executive compensation that were taken through September 12, 2008 for our executive officers listed below (the "named executive officers") whose compensation is detailed in the tables below:

Name	Title
Stephen G. Newberry	President and Chief Executive Officer
Martin B. Anstice*	Senior Vice President, Chief Financial Officer and Chief Accounting Officer
Ernest E. Maddock*	Senior Vice President, Global Operations
Abdi Hariri	Group Vice President, Customer Support Business Group
Richard Gottscho	Group Vice President and General Manager, Etch Businesses

* Effective September 29, 2008, Mr. Anstice was appointed the Company's Executive Vice President and Chief Operating Officer and Mr. Maddock was appointed the Company's Senior Vice President and Chief Financial Officer.

This CD&A consists of the following sections:

Philosophy and Objectives explains the philosophy and objectives of our compensation program

Executive Compensation Program Components and Process explains the major elements of our compensation program, as well as the process by which the compensation of our executive officers is determined

Peer Group identifies the peer group to which we compare our compensation program

Base Salary, Annual Incentive Awards and *Multi-Year Cash-Based Incentive Program ("MYIP")* each explains a major element of our compensation program

Equity Incentive Compensation explains the role of equity incentive awards in our compensation program

Compensation of Chief Executive Officer and *Compensation of Executive Chairman* summarizes the employment agreements that we have with our Chief Executive Officer and our Executive Chairman

Change in Control and Severance Arrangements explains the role of such arrangements in our compensation program

Elective Deferred Compensation Plan summarizes this plan and the role it has in our compensation program

Retirement Benefits Under the 401(k) Plan and Not-Generally-Available Benefit Program summarizes our retirement benefits under the 401(k) plan, as well as other benefits provided to our executive officers that are not generally available to all of our employees

The Executive Retirement Medical and Dental Plan summarizes this element of our compensation program

Executive Stock Ownership Guidelines sets forth the stock ownership guidelines that we have adopted for our executive officers

Accounting and Tax Considerations explains the accounting and tax matters that we consider when setting compensation

This CD&A discusses our executive compensation in the context of a calendar year because our compensation program is designed and evaluated on a calendar year basis rather than a fiscal year basis. However, as required by applicable SEC rules, the compensation tables that follow this CD&A report the executive compensation earned and awards granted during fiscal year 2008.

Philosophy and Objectives

Lam Research's compensation program is designed and evaluated on a calendar year basis rather than a fiscal year basis because the Company's business planning, performance goal setting, pay and benefit cycles are all run on a calendar year. The principal objectives of our compensation program are to:

- Maintain competitive programs to attract, retain and motivate high-caliber executives;
- Maximize the Company's long-term success by appropriately rewarding executive officers for their achievements;
- Focus executive efforts on long-term strategic goals for the Company by closely aligning executive financial interests with stockholder interests while limiting dilution of the Company's shares; and
- Structure compensation programs to take into account the accounting treatment and tax deductibility of executive compensation expense.

In formulating and administering the individual elements of our executive compensation program we focus on:

- Developing compensation packages for our executive officers that are competitive with similarly situated executives in high technology companies;
- Emphasizing pay for performance that rewards achievement of both short- and long-term business objectives;
- Establishing appropriate quantitative and strategic performance objectives and metrics; and
- Matching recognition of compensation expense as much as possible to the fiscal period in which performance occurs.

Within this framework, the Committee reviews the information, analysis and compensation proposals provided by management and by outside consultants and meets with our Executive Chairman, senior management, and specialists from Human Resources, Finance and Legal. Management makes recommendations to the Committee on the base salary, annual incentive award targets and long-term incentive compensation for the named executive officers. The Committee considers management's recommendations with respect to executive compensation in light of competitive compensation data and relevant business objectives, and engages with outside consultants as it deems appropriate. At the request of the Committee, the Executive Chairman discusses management's compensation recommendations with the Committee. The Committee also regularly holds executive sessions not attended by any members of management. The Committee makes recommendations to the independent members of our Board of Directors on the compensation of our Chief Executive Officer for the final determination and approval by the independent members of our Board of Directors.

Executive Compensation Program Components and Process

Components. Lam Research's executive compensation program consists of the major components listed in the table below. We consider each element to be appropriate to meet one or more of the principal objectives of our compensation policy. We generally target compensation near the 50th percentile of our peer group, yet allow our executives the ability to achieve higher levels of compensation (up to and above the 75th percentile of our peer group) if warranted by superior company and individual performance. Furthermore, we also consider factors such as job performance, job scope and responsibilities, skill set, prior experience, the executive's time in his or her position with Lam Research, internal consistency regarding pay levels for similar positions or skill levels within the Company, external pressures to attract and retain talent, and market conditions generally. In general, pay differentials between our executive officers reflect these factors, and we believe are consistent with pay differentials between similar positions at our peer companies.

Component	Purpose	Target Market Position
1. Base salary	Enable recruitment and retention of high caliber employees at a competitive level of compensation	50th percentile
2. Annual incentive awards	Reward executives for achieving shorter-term corporate and functional performance objectives	50th – 75th percentile, depending on performance results
3. MYIP	Align executive performance goals with corporate objectives associated with long-term stockholder value creation; promote executive retention	50th – 75th percentile, depending on performance results
4. Deferred compensation benefits	Provide competitive benefits	
5. Retirement benefits	Provide competitive benefits; promote executive retention	50th percentile
6. Other benefit programs	Provide competitive benefits	

We also have included severance provisions in employment agreements we have entered into with Messrs. Bagley and Newberry. These employment agreements are described in more detail below as well as in the "Potential Payments Upon Termination or Change-in-Control" section. In addition, we have the flexibility to offer severance benefits to other executive officers in the future for recruitment and retention purposes and in order to provide a period during which a former executive is incentivized not to engage in competitive activities.

Process: Overview. At the beginning of each calendar year, the Committee reviews base salaries, annual incentives and long-term incentives of the named executive officers and revises the overall compensation package periodically when appropriate in light of Lam Research's current business strategies and performance and changes in regulatory, tax and accounting rules and interpretations, while also taking into account the interests of our stockholders. For instance, in 2006, we substantially revised the long-term incentive element of our compensation program when we introduced the MYIP in consideration of, among other concerns, changes to accounting rules regarding expense recognition for equity-based awards.

Process: Annual Incentive Awards. Our annual incentive awards provide for cash payments based on the corporate, organizational and individual performance results achieved each calendar year. Corporate performance is determined primarily by operating income as a percent of revenue. Organizational and individual performance metrics generally fall in one or more of the following categories: business process improvement, customer relationships, market share gains, organizational capability, new product development, decreased cycle times, and employee retention efforts. In January and/or February of each year, the Committee reviews the operating income performance target and target incentive amounts for the first half of the calendar year and reviews those targets again, generally in August, for the second half of the calendar year. By reviewing performance targets and incentive amounts every six months, the Committee retains the ability to make adjustments as necessary to reflect changing business conditions and corporate objectives.

Process: MYIP. The MYIP is a program under Lam Research's stockholder-approved 2004 Executive Incentive Plan (the "EIP"). The cash-based incentive structure of the MYIP is intended to provide competitive levels of compensation to our senior executives while (i) allowing the Company to accrue compensation expense during the period in which performance goals are met, (ii) as a non-equity program, minimizing dilution of stockholder value, and (iii) incentivizing senior management retention by generally requiring continuous employment through the payment determination date which is typically approximately two years following the start of the performance period. Performance factors are established by the Committee (or the independent members of the Board for the CEO) annually and funding is accrued on a quarterly basis. A new MYIP cycle typically commences at the beginning of each calendar year and lasts for eight consecutive quarters. For instance, our first MYIP cycle commenced in the first quarter of calendar year 2006 and ran through the end of calendar year 2007 (the "2006 MYIP"), a second MYIP commenced in the first quarter of calendar year 2007 and runs through the end of calendar year 2008 (the "2007 MYIP"), and a third MYIP commenced in the first quarter of calendar year 2008 and runs through the end of calendar year 2009 (the "2008 MYIP"). To date, the MYIP performance metrics have been composed of a formula based on attainment of the Company's operating income target for each year and stock price because the Committee believes these measurements represent the best indicators of the performance of the Company and our executive team during the performance periods. For the 2006 MYIP, target award levels were determined after consideration of a study conducted during 2005 and 2006 by Mercer Consulting, an objective third party consulting firm. Mercer Consulting was engaged by management to provide information on the amounts that executives of Lam's peer group realized pursuant to long-term equity-based incentive programs and to provide a recommendation on competitive target awards in lieu of equity grants for participants of the 2006 MYIP. For the 2007 and 2008 MYIPs, the Committee (and the independent members of the Board with respect to the CEO) set target awards after consideration of the overall compensation package for the named executive officers, the potential rewards from the MYIP and the competitive compensation environment. The Committee (and the independent members of the Board with respect to the CEO) meets in January and/or February to review and determine the operating income performance metric for the then-current calendar year for each cycle of the MYIP then in effect.

Process: Setting Targets for Annual Incentive Awards and MYIP. The Committee (or the independent members of the Board for the CEO) establishes performance goals so that the specific performance targets will be challenging but achievable based on expected levels of performance from executive officers while providing that below expected performance will reduce the executive's award. Performance goals are set such that very strong performance is required to earn payments above the target bonus amounts. The Company believes that its specific operating income targets for awards granted as annual incentive awards and under the MYIP are confidential information and their disclosure would result in competitive harm to the Company. In 2006 and 2007 Lam Research achieved significant market share growth, leading to a substantial expansion of revenues and profitability growth. Together, these results led to the payment of above-target bonuses as annual incentive awards and contributed to a maximum payout under the 2006 MYIP performance cycle. For calendar years 2007 and 2008, the Committee revised the operating income growth targets upward to provide a greater degree of difficulty in meeting those targets in light of the business plan and outlook each year.

Peer Group

The Committee also determines the levels of compensation and the mix and weighting of compensation components after reviewing data from a peer group of comparably-sized companies in the high technology industry and from nationally published survey data.

The peer group companies are selected based on their comparability to Lam Research's revenue size and business purpose, and with whom we believe we are likely to compete for talent. Based on these criteria, the peer group may be modified from one year to the next. For fiscal year 2008, the peer group consisted of the following companies:

- Analog Devices, Inc.
- Applied Materials, Inc.
- Cymer, Inc.
- Cypress Semiconductor Corporation
- Fairchild Semiconductor International, Inc.
- KLA-Tencor Corporation
- LSI Corporation
- MEMC Electronic Materials, Inc.
- Molex Incorporated
- National Semiconductor Corporation
- Novellus Systems Inc.
- NVIDIA Corporation
- Plexus Corp.
- SanDisk Corporation
- Teradyne, Inc.
- Varian Semiconductor Equipment Associates, Inc.
- Xilinx, Inc.

In addition to peer group data, our human resources department engaged F. W. Cook & Co. and Radford to analyze published survey market data on base salary, bonus targets, equity awards and total compensation.

Base Salary

For 2007 and 2008, after taking into consideration peer group compensation and management's recommendations, the Committee (and the independent members of the Board with respect to the CEO) set the base salaries of each of the named executive officers (see table below) as follows:

Name	Calendar Year 2007	Calendar Year 2008
Stephen G. Newberry	$800,000	$800,000
Martin B. Anstice	$380,000	$400,000
Ernest E. Maddock	$400,000	$416,000
Abdi Hariri	$300,000	$315,000
Richard A. Gottscho	$340,000	$360,000

Annual Incentive Awards

Generally

Annual incentive awards for our executive officers for a specific calendar year are based on an individual performance factor, a corporate performance factor, and a target bonus amount based upon a percentage of annual eligible salary. The actual incentive award is calculated by multiplying the individual factor by the corporate factor by the actual eligible earnings amount. The portion of the award based upon individual performance is subject to a maximum multiplier determined at the beginning of the calendar year. The corporate performance factor is applied using an established percentage based on the Company's actual operating income as a percent of revenue. The calculated incentive award for executive officers (other than the CEO) may be increased or decreased by the Committee in its discretion (or the independent members of the Board with respect to the CEO) after the performance period.

The individual metrics for calendar year 2007 were (and for 2008 are anticipated to be) given equal weight with the corporate performance factor which was or will be based upon operating income as a percent of revenue. These objectives and relative weightings were selected based upon management recommendations and Committee and Board determination that they represented the most important metrics of company performance during the applicable calendar years and as a complement to the focus on the operating income metric under the MYIP discussed below. For calendar year 2007, the portion of the awards based upon individual performance was subject to a maximum multiplier of 1.5 on the performance factor.

Mr. Newberry

Annual incentive award targets for Mr. Newberry for calendar years 2007 and 2008 were established under Lam Research's EIP so that his bonus amounts would qualify for deductibility under Section 162(m) of the Internal Revenue Code of 1986, as amended ("Section 162(m)"), discussed further below.

Calendar Year 2007. In February 2007, the Board approved Mr. Newberry's target bonus amount for calendar year 2007 at 100% of his annual eligible salary. The Committee selected, and the independent members of the Board approved, the annual bonus plan factors for Mr. Newberry and established targets for the first half of calendar 2007. The metrics for Mr. Newberry's individual performance were market share (weighted at 30%), revenue and gross margin (weighted at 35%) and cash from operations (weighted at 35%). These objectives, together, were given equal weight with the corporate performance factor which was based upon operating income as a percent of revenue. In August 2007, no changes were made to Mr. Newberry's performance targets for the second half of calendar year 2007. For calendar year 2007, the Board did not use its discretion to alter Mr. Newberry's annual incentive award from the calculated amount. In February 2008, under the terms of Mr. Newberry's annual incentive award, the Committee and the independent members of the Board calculated Mr. Newberry's calendar year 2007 annual incentive award at 1.80 times his target bonus amount, equal to a payout of $1,427,690. This amount is included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table below.

Calendar Year 2008. In March 2008, based upon the Committee's recommendations, the independent members of the Board approved Mr. Newberry's target bonus amount for calendar year 2008 at 125% of base salary, subject to a cap of 2.25 times the target bonus amount. The metrics for Mr. Newberry's individual performance are cash from operations (weighted at 35%), revenue and gross margin (weighted at 30%), market share (weighted at 25%), and new market/new product revenue (weighted at 10%). These objectives, together, are given equal weight with the corporate performance factor which is based upon operating income as a percent of revenue.

Other Named Executive Officers

The individual performance factors for each executive also include organizational performance objectives based upon applicable business unit performance goals. These objectives generally fall in one or more of the following categories: business process improvement, customer relationships, market share gains, organizational capability, new product development, decreased cycle times, and employee retention efforts.

Calendar Year 2007. In February 2007, the Committee approved target bonus amounts for the named executive officers ranging from 70% to 75% of annual salary for each executive. The differences in target bonus amounts among the named executive officers are determined based on job scope and responsibilities and the competitive compensation data. In January 2008, based on the terms of the annual incentive awards without exercising its discretion to revise the amounts, the Committee approved incentive award payouts for calendar year 2007 performance at amounts ranging from 1.61 to 1.80 times the executives' target bonus awards reflecting each executive's individual performance results against the organizational objectives mentioned above. Actual dollar amounts are reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table below.

Information on earned annual incentive awards for calendar year 2007 is provided in the table below for the named executive officers.

Name	Earned Annual Incentive Award Calendar Year 2007
Stephen G. Newberry	$1,427,690
Martin B. Anstice	$ 503,258
Ernest E. Maddock	$ 490,602
Abdi Hariri	$ 332,268
Richard A. Gottscho	$ 403,546

Calendar Year 2008. In January 2008, new target bonus amounts for calendar year 2008 were set for the named executive officers. These amounts range from 70% to 80% of annual salary for each executive, subject to a cap of 2.25 times the target bonus amount.

Multi-Year Cash-Based Incentive Program (MYIP)

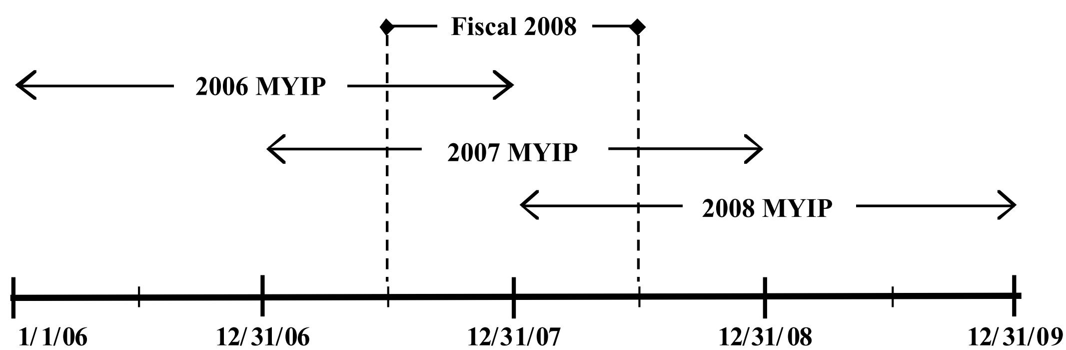
The Committee selects certain executives to participate in each MYIP. During 2006 and 2007, cash awards under the MYIP were the only long-term incentive awards provided to the named executive officers with the exception of Mr. Gottscho, who received a grant of restricted share units in 2006 but was not a participant in the 2006 or 2007 MYIPs.

In order to receive an award under the MYIP, participants generally must be continuously employed at Lam Research through the date(s) on which the Committee determines the actual award amounts under the applicable program (the "determination date").

The Company's named executive officers were eligible for performance-based awards under the following MYIPs:

MYIP	Performance Period	Determination Date	Eligible NEO's
2006	Jan. 2006 – Dec. 2007	February 2008	All (excluding Gottscho)
2007	Jan. 2007 – Dec. 2008	February 2009	All (excluding Gottscho)
2008	Jan. 2008 – Dec. 2009	February 2010	All

MYIP Performance Periods



The Committee (or the independent members of the Board) establishes performance factors, comprised of a formula based on the attainment of the Company's operating income target, on an annual basis and measures and accrues the performance factors on a quarterly basis. In February 2006, the Committee (and the independent members of the Board with respect to the CEO) established the operating income performance metric upon which actual incentive awards would be calculated for calendar 2006. In January 2007, the Committee (and the independent members of the Board with respect to the CEO) established the operating income performance metric for calendar 2007 under both the 2006 and 2007 MYIPs. In January 2008, the Committee established the operating income performance metric for calendar year 2008 under both the 2007 and 2008 MYIPs for the Company's named executive officers, excluding Mr. Newberry. In March 2008, based on recommendations of the Committee, the independent members of the Board established this metric for Mr. Newberry.

Additionally, the 2006, the 2007, and the 2008 MYIPs provide that the calculated award amounts are automatically increased (but may not be decreased) pursuant to a ratio comparing the Company's stock price performance over the 50 trading day trailing average as of the end of each fiscal quarter to the 200 trading day trailing average as of the beginning of the respective program. Under each program, the actual award payable to each participant cannot exceed 2.5 times the target bonus amount set for each plan. During calendar year 2006 and 2007, the stock price factor did positively affect the amounts calculated pursuant to the formula set forth in the respective MYIP. For the first two quarters of 2008, the stock price factor did not affect the amounts calculated pursuant to the formula set forth in the 2007 or 2008 MYIP.

The Committee (and the independent members of the Board with respect to the CEO) has the opportunity to review the accruals and bonus amounts on a periodic basis and may choose to exercise negative discretion to reduce the amount of award accruals or bonus amounts following such review. The Committee (and the independent members of the Board with respect to the CEO) did not exercise its negative discretion to reduce any award accruals or bonus amounts during calendar years 2006 or 2007 or for the first two quarters of calendar year 2008 for a named executive officer.

The aggregate individual target award amounts and the aggregate amounts earned for the named executive officers under the MYIP (except for Mr. Gottscho who participates in the 2008 MYIP only) were:

MYIP	Aggregated Individual Target Amounts	Aggregated Individual Earned Awards	Earned Award as a % of Target Amount
2006	$6,825,000[(1)]	$17,062,500[(2)]	250%
2007	$7,507,500[(3)]	NA[(4)]	NA[(4)]
2008	$9,214,500	NA[(5)]	NA[(5)]

(1) Excludes target amount for Nicolas Bright, a former named executive officer, in the amount of $1,500,000.

(2) Excludes earned amount for Nicolas Bright in the amount of $3,505,000.

(3) Excludes target amount for Nicolas Bright, in the amount of $1,650,000.

(4) Earned awards under the 2007 MYIP are anticipated to be paid in February 2009.

(5) Earned awards under the 2008 MYIP are anticipated to be paid in February 2010.

Equity Incentive Compensation

The Company believes that long-term equity incentive awards can be a useful part of its executive compensation program. However, as discussed above, the Company has chosen to grant primarily long-term cash incentive awards to its executive officers since calendar year 2006. The Committee or Board may use its discretion to grant stock options or restricted stock units to executive officers in the future to provide competitive long-term incentives and to reward behaviors that result in long-term stockholder value growth. For example, the Committee authorized a grant of 8,000 restricted share units to Mr. Gottscho on August 26, 2008 that will vest only if certain performance and time-based conditions are met.

Compensation of Chief Executive Officer

The Company and Mr. Newberry entered into an employment agreement (the "Newberry Agreement") effective January 1, 2003, which continues in effect pursuant to an automatic one-year renewal provision. The Newberry Agreement provides for a base salary at a rate to be set at least annually by the Board. Under the Newberry Agreement, Mr. Newberry is entitled to participate in any performance incentive plan offered by the Company, in the Company's executive deferred compensation plan(s), and in other benefit and compensation programs generally applicable to key executives of the Company. The Newberry Agreement includes severance provisions which are described below in the "Potential Payments Under Termination of Employment or Change-in-Control" section below.

Compensation of Executive Chairman

The Company and Mr. Bagley entered into a new employment agreement (the "Bagley Agreement") effective January 1, 2006. Under the terms of the Bagley Agreement, Mr. Bagley will continue to serve as Executive Chairman of the Company until March 31, 2009, unless the Bagley Agreement is extended or earlier terminated in accordance with its provisions. Mr. Bagley will receive an annual salary of $240,000 provided he remains employed by the Company. Subject to certain non-compete and other terms and conditions, Mr. Bagley will receive a lump sum payment of $2.5 million on April 15, 2009. During the term of the Bagley Agreement, Mr. Bagley will not participate in any executive bonus plans maintained by the Company, but Mr. Bagley will be eligible to participate in the standard executive benefit plans maintained by the Company. During the term of the Bagley Agreement, Mr. Bagley agrees not to perform services for any other for-profit enterprise that would interfere with his services to, or otherwise compete with, the Company. The Bagley Agreement includes severance provisions which are described below in the "Potential Payments Upon Termination or Change-in-Control" section below.

Change in Control and Severance Arrangements

Lam Research provides severance and change in control benefits to Mr. Newberry and severance benefits to Mr. Bagley in individually negotiated arrangements. These arrangements are more fully described in the "Potential Payments Upon Termination of Employment or Change-in-Control" section below. Lam Research may also in the future enter into individually negotiated arrangements with other executive officers that contain severance and/or change of control benefits for recruitment and retention purposes and in order to provide a period during which an executive will be incentivized not to engage in competitive activities.

As discussed below, we do provide medical and dental insurance retirement benefits to eligible former officers (and members of our Board). Furthermore, certain of the Company's stock option plans and its Employee Stock Purchase Plan provide that, upon a merger of the Company with or into another corporation or the sale of substantially all of the assets of the Company, some or all of the options granted under certain of the stock option plans shall be accelerated so as to be fully exercisable, and all of the rights granted under the Employee Stock Purchase Plan shall be fully exercisable following the merger for a period from the date of notice by the Board. Following the expiration of such periods, the options and rights will terminate. The 2007 Stock Incentive Plan adopted by Company stockholders at the 2006 Annual Meeting allows the Company discretion to provide for vesting acceleration of awards on change-of-control transactions.

Elective Deferred Compensation Plan

Lam Research maintains a non-qualified deferred compensation plan, the Elective Deferred Compensation Plan (the "EDCP"), which allows eligible employees, including executive officers, to voluntarily defer receipt of all or a portion of his/her salary and all or a portion of a bonus payment until the date or dates elected by the participant, thereby allowing the participating employee to defer taxation on such amounts. The EDCP is offered to eligible employees, including the named executive officers, in order to allow them to defer more compensation than they would otherwise be permitted to defer under a tax-qualified retirement plan, such as the Lam Research Corporation Employee Savings Plus Plan (the "401(k) Plan"). Further, Lam Research offers the EDCP as a competitive practice to enable it to attract and retain top talent.

Retirement Benefits Under the 401(k) Plan and Not-Generally-Available Benefit Programs

Each of Lam Research's named executive officers is eligible for benefits generally available to Company employees such as matching contributions to Lam Research's 401(k) plan. In addition, Lam provides a company contribution to the EDCP in lieu of matching contributions to the 401(k) Plan. This Company contribution is shown in the All Other Compensation Table and Non-Qualified Deferred Compensation table.

Lam Research also provides additional benefits to its named executive officers that are not generally available to other Company employees, including the payment of supplemental Long Term Disability insurance, Executive Dental insurance coverage and an Executive Medical Reimbursement program that offsets executives' payment of medical co-insurance and co-payments. These benefits are shown in the All Other Compensation table.

The Executive Retirement Medical and Dental Plan

The Company provides a program to pay for post-retirement medical and dental insurance coverage for eligible former executive officers and members of Lam's Board of Directors. To be eligible, a person must have served at the position of vice president or above or as a member of the Board of Directors, be at least age 55 at retirement, and have at least five years of continuous service with Lam Research. An executive officer or director must be enrolled in the Company's U.S. group medical and dental plans at the time of his or her retirement. When the executive retiree or spouse of a retiree reaches age 65, he or she is required to enroll in Medicare parts A and B which would be the primary payer for the executive retiree or spouse of a retiree's health insurance coverage. The benefit also covers the executive retiree's spouse at the time of retirement for his or her lifetime as well as dependent children until age of 19 or 24 if a full time student. The benefit ceases if the executive retiree becomes employed by a competitor of Lam Research after leaving the Company's service. We provide the benefit to our executives and members of our Board to further the long-term retention of their services and/or provide a disincentive to later compete against the Company.

Executive Stock Ownership Guidelines

During calendar year 2006, the Company adopted executive stock ownership guidelines, pursuant to which senior executives are expected and encouraged to own and maintain certain minimum levels of the Company's Common Stock. The Committee believes that these guidelines are an appropriate addition to the Company's equity compensation policies and, in conjunction with Lam Research's equity and cash-based incentive plans, will further serve to align the long-term interests of the senior executives with those of the Company's stockholders. Each executive is expected to accumulate and maintain ownership of shares of the Company's Common Stock, in the quantities indicated by the guidelines below, by the later of December 31, 2010, or the fifth anniversary of an executive's hire date.

Position	Stock Ownership Guideline
Chief Executive Officer	5X Salary
Chief Financial Officer	3X Salary
All other senior executives	2X - 3X Salary

Accounting and Tax Considerations

Section 162(m). In determining which elements of compensation are to be paid, and how they are weighted, Lam Research takes into account whether a particular form of compensation will be considered "performance-based" compensation for purposes of Section 162(m) of the Internal Revenue Code. Under Section 162(m), Lam Research generally receives a federal income tax deduction for compensation paid to its CEO or any of its three other most highly compensated officers only if the compensation is less than $1 million during any fiscal year or is "performance-based" under Section 162(m). In 2004, Lam Research adopted the EIP with a structure intended to provide for the tax deductibility of awards granted under the EIP. Accordingly, during fiscal 2008, the annual incentive awards granted to Mr. Newberry and to the greatest extent possible, all MYIP grants to Mr. Newberry and the other named executive officers were granted under Lam Research's EIP. In November 2006, our stockholders approved an amendment to the EIP that increased the amount of cash awards that may be paid to any one participant in respect of achievement of performance goals for any twelve-month period to $12 million. Prior to the amendment, the maximum amount of awards that could be paid to a participant in a twelve-month period and qualify for deductibility under Section 162(m) was $2 million. Accordingly, we expect that all MYIP grants made after passage of the amendment will qualify for deductibility under Section 162(m). The prior $2 million limit for deductibility will likely apply to performance periods under grants prior to the amendment. The Committee currently intends to continue to seek a tax deduction for all of Lam Research's executive compensation, to the extent it determines it is in the best interests of Lam Research.

Section 409A. To assist in the avoidance of additional tax under Section 409A of the Internal Revenue Code, Lam structured the MYIP and the EDCP, and structures its equity awards, in a manner intended to comply with the applicable Section 409A requirements.

To satisfy potential Section 409A liability to employees (including the named executive officers) with respect to certain options previously granted by the Company, in March 2008, the Board approved payments to be made to compensate such employees (including the named executive officers) for the additional tax liability associated with the options. The table below lists the amount of estimated 409A liability, including gross-up payments, that will be paid to or on behalf of the listed named executive officers.

Name	Estimated Cash 409A Liability, including gross-up $ million
Stephen G. Newberry	$10.3
Richard A. Gottscho	$ 0.5
Abdi Hariri	$ 0.2

The Company's Form 10-K for the year ended June 24, 2007, filed on March 31, 2008 and the Company's Form 8-K filed on April 2, 2008 provide additional information on the actions taken with respect to the Section 409A liability.

Other Tax Considerations. It is Lam's general philosophy not to provide any executive officer or director with a gross-up or other reimbursement for tax amounts the individual might pay pursuant to Section 280G of the Internal Revenue Code.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary	Bonus	Stock Awards	Option Awards (3)	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings (14)	All Other Compensation (15) (16)	Total
Stephen G. Newberry	2008	$800,000	$0	$ 0	$ 0	$6,260,949[4]	$ 0	$ 9,260	$7,070,209
Chief Executive Officer and President	2007	$759,039	$0	$ 0	$3,013	$7,588,859[5]	$ 808	$19,602	$8,371,321
Martin B. Anstice	2008	$386,538	$0	$ 0	$ 0	$2,523,046[6]	$ 0	$16,148	$2,925,733
Senior Vice President, Chief Financial Officer & Chief Accounting Officer	2007	$353,077	$0	$ 0	$ 479	$4,189,847[7]	$ 0	$25,744	$4,569,147
Ernest E. Maddock	2008	$405,231	$0	$ 0	$ 0	$2,321,231[8]	$ 0	$14,747	$2,741,209
Senior Vice President, Global Operations	2007	$383,174	$0	$ 0	$2,681	$3,369,508[9]	$ 3	$22,233	$3,777,599
Abdi Hariri	2008	$304,904	$0	$ 0	$ 0	$1,826,383[10]	$ 0	$17,959	$2,149,246
Group Vice President, Customer Support Business Group	2007	$283,173	$0	$ 0	$1,028	$2,728,276[11]	$ 66	$25,854	$3,038,397
Richard A. Gottscho	2008	$346,538	$0	$774,846[1]	$ 0	$699,734[12]	$ 0	$15,496	$1,836,615
Group Vice President and General Manager, Etch Businesses	2007	$327,692	$0	$747,356[2]	$1,194	$419,207[13]	$ 729	$23,863	$1,520,041

(1) Amounts shown do not reflect compensation actually received by the named executive officer. Instead, the amounts shown are the compensation expenses recognized by Lam Research in fiscal year 2008 for restricted stock units as determined pursuant to FASB Statement of Financial Accounting Standards Number 123(revised) "Share-Based Payment" ("SFAS 123R"). These compensation expenses reflect restricted stock units granted prior to fiscal 2008.

(2) Amounts shown do not reflect compensation actually received by the named executive officer. Instead, the amounts shown are the compensation expenses recognized by Lam Research in fiscal 2007 for restricted stock units as determined pursuant to SFAS 123R. These compensation expenses reflect restricted stock units granted during fiscal 2007 and prior to fiscal 2007.

(3) Amounts shown do not reflect compensation actually received by the named executive officer. Instead, the amounts shown are the compensation expenses recognized by Lam Research in fiscal 2007 for option awards as determined pursuant to SFAS 123R. These compensation expenses reflect option awards granted

prior to fiscal 2007. The assumptions used to calculate the fair value of these option awards are set forth in Note M in Notes to Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2002.

(4) Represents $1,427,690 earned by Mr. Newberry pursuant to his 2007 annual incentive award (which was made under the EIP and pursuant to the Company's annual bonus plan for calendar year 2007), $1,783,440 accrued on Mr. Newberry's behalf for performance during fiscal 2008 under the 2006 MYIP, $2,173,227 accrued for performance during fiscal 2008 under the 2007 MYIP, and $876,592 accrued for performance during fiscal 2008 under the 2008 MYIP. Mr. Newberry received the amounts accrued under the 2006 MYIP and will be eligible to receive the 2007 and 2008 MYIPs if he remains employed by Lam Research through the respective payment determination dates in February 2009 or February 2010.

(5) Represents $1,485,716 earned by Mr. Newberry pursuant to his 2006 annual incentive award (which was made under the EIP and pursuant to the Company's annual bonus plan for calendar year 2006), $4,718,128 accrued on Mr. Newberry's behalf for performance during fiscal 2007 under the 2006 MYIP and $1,385,015 accrued for performance during fiscal 2007 under the 2007 MYIP. Mr. Newberry received the amounts accrued under the 2006 MYIP and will be eligible to receive the 2007 MYIP if he remains employed by Lam Research through the payment determination date in February 2009.

(6) Represents $503,258 earned by Mr. Anstice pursuant to his 2007 annual incentive award, $740,813 accrued on Mr. Anstice's behalf for performance during fiscal 2008 under the 2006 MYIP, $926,370 accrued for performance during fiscal 2008 under the 2007 MYIP, and $352,605 accrued for performance during fiscal 2008 under the 2008 MYIP. Mr. Anstice received the amounts accrued under the 2006 MYIP and will be eligible to receive the 2007 and 2008 MYIPs if he remains employed by Lam Research through the respective payment determination dates in February 2009 or February 2010.

(7) Represents $447,212 earned by Mr. Anstice pursuant to his 2006 annual incentive award, $1,207,483 earned for performance during fiscal 2007 under the supplemental plan, $1,959,838 accrued on Mr. Anstice's behalf for performance during fiscal 2007 under the 2006 MYIP and $575,314 accrued for performance during fiscal year 2007 under the 2007 MYIP. Mr. Anstice received the amounts accrued under the 2006 MYIP and will be eligible to receive the 2007 MYIP if he remains employed by Lam Research through the payment determination date in February 2009.

(8) Represents $490,602 earned by Mr. Maddock pursuant to his 2007 annual incentive award, $672,220 accrued on Mr. Maddock's behalf for performance during fiscal 2008 under the 2006 MYIP, $840,595 accrued for performance during fiscal 2008 under the 2007 MYIP, and $317,815 accrued for performance during fiscal 2008 under the 2008 MYIP. Mr. Maddock received the amounts accrued under the 2006 MYIP and will be eligible to receive the 2007 and 2008 MYIPs if he remains employed by Lam Research through the respective payment determination dates in February 2009 or February 2010.

(9) Represents $510,745 earned by Mr. Maddock pursuant to his 2006 annual incentive award, $558,348 earned for performance during fiscal 2007 under the supplemental plan, $1,778,371 accrued on Mr. Maddock's behalf for performance during fiscal 2007 under the 2006 MYIP and $522,044 accrued for performance during fiscal year 2007 under the 2007 MYIP. Mr. Maddock received the amounts accrued under the 2006 MYIP and will be eligible to receive the 2007 MYIP if he remains employed by Lam Research through the payment determination date in February 2009.

(10) Represents $332,268 earned by Mr. Hariri pursuant to his 2007 annual incentive award, $548,751 accrued on Mr. Hariri's behalf for performance during fiscal 2008 under the 2006 MYIP, $686,200 accrued for performance during fiscal 2008 under the 2007 MYIP, and $259,164 accrued for performance during fiscal 2008 under the 2008 MYIP. Mr. Hariri received the amounts accrued under the 2006 MYIP and will be eligible to receive the 2007 and 2008 MYIPs if he remains employed by Lam Research through the respective payment determination dates in February 2009 or February 2010.

(11) Represents $328,354 earned by Mr. Hariri pursuant to his 2006 annual incentive award, $522,032 earned for performance during fiscal 2007 under the supplemental plan, $1,451,732 accrued on Mr. Hariri's behalf for performance during fiscal 2007 under the 2006 MYIP and $426,158 accrued for performance during fiscal year 2007 under the 2007 MYIP. Mr. Hariri received the amounts accrued under the 2006 MYIP and will be eligible to receive the 2007 MYIP if he remains employed by Lam Research through the payment determination date in February 2009.

(12) Represents $403,546 earned by Mr. Gottscho pursuant to his 2007 annual incentive award and $296,188 accrued on Mr. Gottscho's behalf for performance during fiscal 2008 under the 2008 MYIP. Mr. Gottscho will be eligible to receive the 2008 MYIP if he remains employed by Lam Research through the payment determination date in February 2010.

(13) Represents $419,207 earned by Mr. Gottscho pursuant to his 2006 annual incentive award.

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

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

(16) The amounts listed in the "All Other Compensation" column for 2007 were adjusted to reflect corrected amounts for Company Contribution to the Elective Deferred Compensation Plan in Lieu of Matching Contributions to the 401(k) Plan.

Salary, bonus, and non-equity incentive plan compensation above includes amounts earned in fiscal year 2008 and fiscal year 2007 even if deferred at the election of the executive officer under the Company's deferred compensation plans and/or the Company's 401(k) Plan.

All Other Compensation

Name	Fiscal Year	Company Matching Contribution to the Company's 401(k) Plan	Company-Paid Long Term Disability Insurance Premiums (1)	Company-Paid Healthcare Insurance Premiums (2)	Company Contribution to the Elective Deferred Compensation Plan in Lieu of Matching Contributions to the 401(k) Plan (3)	Total
Stephen G. Newberry	2008	$ 0	$277	$8,983	$ 0	$ 9,260
Martin B. Anstice	2008	$7,165	$ 0	$8,983	$ 0	$16,148
Ernest E. Maddock	2008	$ 0	$697	$7,225	$6,825	$14,747
Abdi Hariri	2008	$6,357	$ 0	$8,983	$2,619	$17,959
Richard A. Gottscho	2008	$7,027	$881	$7,588	$ 0	$15,496

(1) Represents the portion of supplemental long term disability insurance premiums paid by Lam. This program was discontinued in 2002 and is available only to participants enrolled as of 2002.

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

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

Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan		
		Threshold ($)	Target ($)	Maximum ($)
Stephen G. Newberry	03/08[1]	—	$4,000,000	$10,000,000
	03/08[2]	—	$1,000,000	$ 2,250,000
Martin B. Anstice	01/08[1]	—	$1,500,000	$ 3,750,000
	01/08[2]	—	$ 320,000	$ 720,000
Ernest E. Maddock	01/08[1]	—	$1,352,000	$ 3,380,000
	01/08[2]	—	$ 332,800	$ 748,800
Abdi Hariri	01/08[1]	—	$1,102,500	$ 2,756,250
	01/08[2]	—	$ 220,500	$ 496,125
Richard A. Gottscho	01/08[1]	—	$1,260,000	$ 3,150,000
	01/08[2]	—	$ 270,000	$ 607,500

(1) Represents awards granted under the 2008 MYIP covering performance during calendar years 2008 and 2009. Amounts shown are for performance over a two-year period.

(2) Represents awards granted under the 2008 annual incentive award. See the "Annual Incentive Awards" discussion above for details on actual payments made in February 2008 for the 2007 annual incentive awards.

Outstanding Equity Awards at the End of Fiscal Year 2008

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested ($)	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
Stephen G. Newberry	5,250[1]	—	—	$ 16.14	10/1/2011	—	—	—	—
	200,000[2]	—	—	$ 25.66	4/30/2009	—	—	—	—
	5,250[3]	—	—	$ 11.66	10/1/2008	—	—	—	—
Martin B. Anstice	2,000[4]	—	—	$ 24.25	3/19/2011	—	—	—	—
	849[1]	—	—	$ 16.64[9]	10/1/2011	—	—	—	—
Ernest E. Maddock	2,050[1]	—	—	$ 16.64[9]	10/1/2011	—	—	—	—
	1,000[5]	—	—	$ 24.19[9]	12/24/2011	—	—	—	—
	28,800[6]	—	—	$ 25.53[9]	2/27/2009	—	—	—	—
Abdi Hariri	822[1]	—	—	$ 16.64[9]	10/1/2011	—	—	—	—
	1,000[1]	—	—	$ 16.14	10/1/2011	—	—	—	—
Richard A. Gottscho	—	—	—					32,000[7]	1,187,840
						5,600[8]	$ 207,872	—	—

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

(2) These options were granted on April 30, 2002. The options vested 25% annually on February 28 in 2003, 2004, 2005, and 2006.

(3) These options were granted on August 2, 2002. 100% of the options vested on October 1, 2002.

(4) These options were granted on March 19, 2001. 36,000 total options were granted with 25% vesting on the first, second, third and fourth anniversaries of the grant date.

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

(6) These options were granted on February 27, 2002. 86,700 total options were granted and vested 13,800 on 02/27/03, 15,300 on 02/27/04, 28,800 on 02/27/05, and 28,800 on 02/27/06.

(7) These restricted stock units ("RSUs") were granted on May 12, 2006 and are subject to performance criteria and service period. 100% of the RSUs will vest on May 12, 2009 provided that the person remains an employee on such date.

(8) These RSUs were granted on January 4, 2007. 8,400 total RSUs were granted. 33.33% vested or will vest on each of April 15, 2008, August 1, 2008 and December 1, 2008, provided that the person remains an employee on each such date.

(9) The exercise price of these options was increased to the fair market value per share on the correct measurement date so as to avoid tax consequences under Section 409A and, as applicable, similar provisions of state law. The Company's Form 8-K filed on May 8, 2008 provides additional information on the amendments.

Option Exercises and Stock Award Vesting During Fiscal Year 2008

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise**	**Value Realized on Exercise**	**Number of Shares Acquired on Vesting**	**Value Realized on Vesting**
Stephen G. Newberry	—	—	—	—
Martin B. Anstice	—	—	—	—
Ernest E. Maddock	—	—	—	—
Abdi Hariri	—	—	—	—
Richard A. Gottscho	—	—	11,200	$595,924

Non-Qualified Deferred Compensation Table

Name	**Fiscal Year**	**Executive Contributions in FY 2008**	**Registrant Contributions in FY 2008 (1)**	**Aggregate Earnings in FY 2008 (2)**	**Aggregate Withdrawals/ Distributions in FY 2008**	**Aggregate Balance at FYE 2008**
Stephen G. Newberry	2008	$ 0	$ 0	$ 56,931	$ 0	$1,050,206
Martin B. Anstice	2008	$ 750,000	$ 0	$(34,403)	$ 0	$ 951,799
Ernest E. Maddock	2008	$3,860,745	$6,825	$(99,391)	$ 0	$6,171,793
Abdi Hariri	2008	$2,417,283	$2,619	$(85,577)	$101,753	$3,290,424
Richard A. Gottscho	2008	$ 150,507	$ 0	$ 59,044	$ 0	$1,174,777

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

(2) There were no above-market or preferential earnings included in these figures.

The Company has an elective deferred compensation plan (the "EDCP"). Contributions by eligible executives are maintained in the EDCP. The EDCP is a voluntary, non-tax-qualified, deferred compensation plan that encourages executives to save for retirement. Under the EDCP, participants are entitled to defer compensation until retirement, death, other termination of employment, or until specified dates.

Potential Payments Upon Termination or Change-in-Control

The Company provides a program to pay for post-retirement medical and dental insurance coverage for eligible former executive officers and Board members if they meet the eligibility requirements (the Executive Retirement Medical and Dental Plan). Annually, Lam Research has an independent actuarial valuation of this post-retirement benefit conducted in accordance with the methodology prescribed by the Statement of Financial Accounting Standards 106, Employers' Accounting for Postretirement Benefits Other Than Pensions (SFAS No. 106). The most recent valuation conducted in June 2008 valued Lam Research's accumulated post-retirement benefit obligation for the named executive officers and Mr. Bagley, Lam's Executive Chairman, as shown in the table below:

Name	FY 2008
Stephen G. Newberry	$78,000
Martin B. Anstice	$22,000
Ernest E. Maddock	$85,000
Abdi Hariri	$71,000
Richard A. Gottscho	$75,000
James Bagley	$46,000

In addition, certain of the Company's stock option plans and its Employee Stock Purchase Plan provide that, upon a merger of the Company with or into another corporation or the sale of substantially all of the assets of the Company, each outstanding option or right to purchase Common Stock shall be assumed, or an equivalent option or right substituted, by the successor corporation or a parent or subsidiary of the successor corporation. In the event that the successor corporation does not agree to assume the option or right or substitute an equivalent option or right, at the discretion of the plan administrator, some or all of the options granted under certain of the stock option plans shall be accelerated so as to be fully exercisable, and all of the rights granted under the Employee Stock Purchase Plan shall be fully exercisable following the merger for a period from the date of notice by the Board of Directors. Following the expiration of such periods, the options and rights will terminate. The 2007 Stock Incentive Plan adopted by Lam Research stockholders at the 2006 Annual Meeting allows the Company discretion to provide for vesting acceleration of awards on change-of-control transactions.

The tables below quantify the amount that would be payable to each of Messrs. Newberry and Bagley assuming the termination of his employment on June 29, 2008, and are estimates of the amounts which would be paid out to each executive upon his termination. The actual amounts to be paid out can only be determined at the time of the triggering events.

Newberry Agreement

The Newberry Agreement provides that in the event of involuntary termination without cause (as defined in the agreement) or a change in control of the Company followed by either involuntary termination or the acceptance of a position of materially lesser authority or responsibility offered to Mr. Newberry by the Company, or if the Company is acquired by another entity so that there will be no market for the Common Stock of the Company and the acquiring entity does not provide options comparable to unvested stock options held by Mr. Newberry, all unvested stock options granted to Mr. Newberry will automatically be accelerated in full so as to become fully vested. Mr. Newberry is presently fully vested in his stock options but such provision applies to any future grants. Mr. Newberry will have two years from the date of termination in which to exercise such options.

If Mr. Newberry's employment is involuntarily terminated without cause, he will be entitled to receive a lump sum payment equal to 15 months of his then-annual base compensation, and he will receive annually any benefits under the Executive Retirement Medical and Dental Plan for which he qualifies following the date of termination. If Mr. Newberry resigns voluntarily, he will not be entitled to receive any severance benefits under the Newberry Agreement, with the exception of the benefits that he would qualify for under the Executive Retirement Medical and Dental Plan. In the event of Mr. Newberry's death, his estate will be entitled to receive an amount equal to Mr. Newberry's annual base salary payable in a lump sum. If Mr. Newberry becomes disabled, he will be entitled to receive his base salary for a period of 12 months from the date disability is certified, as well as any bonus earned prior to the effective date of disability.

The Newberry Agreement provides that for a period of six months following Mr. Newberry's termination of employment with the Company, Mr. Newberry may not solicit any of the Company's employees to become employed by any other business enterprise.

Stephen G. Newberry
President and Chief Executive Officer

Executive Benefits and Payments Upon Termination	Voluntary Termination	Involuntary Termination: Disability or Death	For Cause	Not for Cause	Change in Control
Compensation					
Severance	$ —	$800,000	$ —	$ 1,000,000	$ —
Short-term Incentive	$ —	$ —	$ —	$ —	$ —
Long-term Incentives					
2006-2007 MYIP	$ —	$ —	$ —	$ —	$ —
2007-2008 MYIP	$ —	$ —	$ —	$ —	$ —
Stock Options (Unvested and Accelerated)	$ —	$ —	$ —	$ —	$ —
Restricted Stock Units (Unvested and Accelerated)	$ —	$ —	$ —	$ —	$ —
Benefits and Perquisites					
Health Benefit Continuation[1]	$78,000	$ 78,000	$ —	$ 78,000	$78,000
Total	**$78,000**	**$878,000**	**$ —**	**$ 1,078,000**	**$78,000**

(1) Assumes executive qualifies for Lam Research's Executive Retirement Medical and Dental Plan and reflects the most recent independent actuarial valuation of this benefit.

Bagley Agreement

Pursuant to the Bagley Agreement, Mr. Bagley is entitled to certain severance benefits upon termination of his employment, depending on the reason for the early termination. If Mr. Bagley voluntarily resigns his employment position, he will not be eligible for any severance payment or benefits, but will remain eligible for a $2.5 million lump sum payment to be paid on April 15, 2009, provided the conditions precedent therefor are fulfilled. In the event of involuntary termination of employment without cause (as defined in the agreement) or due to disability, Mr. Bagley will be entitled to continued payment of his salary through March 31, 2009; to a lump sum payment of $2.5 million when otherwise due; to continued annual medical benefits under the Executive Retirement Medical and Dental Plan; and to exercise any vested stock options for two years after termination. If involuntary termination is due to death, additional benefits include acceleration of payment of the $2.5 million lump sum amount within ninety days after death and continued medical benefits for covered family members pursuant to plan eligibility. If Mr. Bagley is terminated for cause, Mr. Bagley will not be entitled to receive any severance benefits under the Bagley Agreement. There is no change-of-control benefits provision in the Bagley Agreement.

The Bagley Agreement provides that (i) prior to March 31, 2009, Mr. Bagley may not provide services to another entity that would constitute competition with the Company; and (ii) for a period of six months following termination of the Bagley Agreement, Mr. Bagley may not solicit any of the Company's employees to become employed by any other business enterprise.

James W. Bagley
Executive Chairman of the Company

Executive Benefits and Payments Upon Termination	Voluntary Termination (2)	Involuntary Termination: Death	Involuntary Termination: For Cause	Involuntary Termination: Not for Cause (2)	Change in Control
Compensation					
Severance	$ —	$2,500,000	$ —	$180,000	NA
Short-term Incentive	$ —	$ —	$ —	$ —	
Long-term Incentives					
2006-2007 MYIP	$ —	$ —	$ —	$ —	
2007-2008 MYIP	$ —	$ —	$ —	$ —	
Stock Options (Unvested and Accelerated)	$ —	$ —	$ —	$ —	
Restricted Stock Units (Unvested and Accelerated)	$ —	$ —	$ —	$ —	
Benefits and Perquisites					
Health Benefit Continuation[1]	$46,000	$ 46,000	$ —	$ 46,000	$46,000
Total	**$46,000**	**$2,546,000**	**$ —**	**$226,000**	**$46,000**

(1) Assumes executive qualifies for Lam Research's Executive Retirement Medical and Dental Plan and reflects the most recent independent actuarial valuation of this benefit.

(2) Remains eligible for the $2.5 million lump sum payment, provided the conditions precedent set forth in the Bagley Agreement are fulfilled.

Non-Employee Director Compensation in Fiscal Year 2008

Name	Fees Earned or Paid in Cash ($)	Stock Awards (1) (2) (3) ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation	Total
David G. Arscott	$42,000	$163,981	$0	$0	$0	$ 0	$205,981
Robert M. Berdahl	$57,000	$163,981	$0	$0	$0	$ 0	$220,981
Richard J. Elkus, Jr.	$49,500	$163,981	$0	$0	$0	$ 0	$213,481
Jack R. Harris	$42,000	$163,981	$0	$0	$0	$ 0	$205,981
Grant M. Inman	$52,000	$163,981	$0	$0	$0	$ 0	$215,981
Catherine P. Lego	$42,000	$163,981	$0	$0	$0	$90,000[5]	$295,981
Seiichi Watanabe	$42,000	$163,981	$0	$0	$0	$11,555[6]	$217,536
Patricia S. Wolpert	$42,000	$191,191[4]	$0	$0	$0	$75,000[5]	$308,191

(1) Amounts shown do not reflect compensation actually received by the director. Instead, the amounts shown are the compensation expenses recognized by Lam Research in fiscal 2008 for restricted stock units as determined pursuant to FASB Statement of Financial Accounting Standards Number 123(revised) "Share-Based Payment" ("SFAS 123R"). These compensation expenses reflect restricted stock units granted during fiscal year 2008 and prior to fiscal 2008.

(2) On May 2, 2008, each Director was granted 4,678 restricted stock units based on the closing price of the Company's Common Stock of $42.75. The units vest on November 1, 2008, with receipt deferred until January 31, 2009.

(3) On February 15, 2007, each Director was granted 4,440 restricted stock units based on the closing price of the Company's Common Stock of $45.14. The units vested on June 10, 2008, with receipt deferred until August 1, 2008.

(4) Ms. Wolpert was granted 2,500 restricted shares on December 5, 2006. The shares vested on August 14, 2007. The grant date fair value of this award was $53.78 per share.

(5) Reflects compensation provided to Ms. Lego and Ms. Wolpert for time spent in fiscal year 2008 as members of a special committee of the Board.

(6) Value of fees for visa and immigration services, and tax and consulting services provided to Dr. Watanabe in fiscal year 2008.

For a narrative description of the Company's annual compensation of non-employee directors, see the section captioned "*Director Compensation*."

In addition, members of Lam's Board of Directors who have retired from Lam Board service can participate in the Company's Executive Retirement Medical and Dental Plan if they meet certain eligibility requirements. The most recent valuation of Lam Research's accumulated post-retirement benefit obligation under SFAS No. 106, as of June 2008, for the current directors who may become eligible is shown below:

Name	FY 2008
David G. Arscott	$53,000
Robert M. Berdahl	$44,000
Richard J. Elkus, Jr.	$40,000
Jack R. Harris	$50,000
Catherine P. Lego	$28,000

COMPENSATION COMMITTEE REPORT

The purposes of the Compensation Committee are to assist the Board in the discharge of its responsibilities with respect to compensation for the Company's executive officers and independent directors, report annually to the Company's stockholders on executive compensation matters, administer the Company's equity-based compensation plans, and take or cause to be taken such other actions and address such other matters as the Board may from time to time authorize the Compensation Committee to undertake or assume responsibility.

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 these reviews and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

The Compensation Committee was composed of the following independent non-employee directors during fiscal year 2008, and remains so composed as of the date of this Proxy Statement: Directors Berdahl, Elkus, Harris, and Wolpert.

COMPENSATION COMMITTEE
Robert M. Berdahl
Richard J. Elkus, Jr.
Jack R. Harris
Patricia S. Wolpert

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No interlocking relationship exists or existed during fiscal year 2008 between any member of our Compensation Committee and any member of any other company's board of directors or compensation committee. The Compensation Committee consisted of directors Berdahl, Elkus, Harris, and Wolpert during fiscal year 2008.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

No family relationships exist or existed during fiscal year 2008 among any of the Company's directors and executive officers. No related-party transactions occurred during fiscal year 2008.

AUDIT COMMITTEE REPORT

Notwithstanding anything to the contrary set forth in any of the Company's previous filings under the Securities Act or the Exchange Act that might incorporate all or portions of future filings, including this Proxy Statement, the following Report of the Audit Committee shall not be incorporated by reference into any such filings, nor shall they be deemed to be soliciting material or deemed filed with the SEC under the Securities Act or the Exchange Act.

Under the guidance of a written charter adopted by the Board of Directors, the purpose of the Audit Committee is to monitor the integrity of the financial statements and the effectiveness of internal control over financial reporting of the Company, oversee the independence of the Company's independent registered public accounting firm, appoint and provide for the compensation of the independent registered public accounting firm, and evaluate the performance of the independent registered public accounting firm. Pursuant to the Audit Committee Charter, the Audit Committee is also responsible for reviewing and approving, if appropriate, all related-party transactions. Each of the members of the Audit Committee meets the independence requirements of NASDAQ. During fiscal year 2008 and as of the date of this Proxy Statement, the Audit Committee consisted of the following independent, non-employee directors: Directors Arscott, Inman, Lego, and Watanabe.

Management has primary responsibility for the system of internal control and the financial reporting process. The independent registered public accounting firm has the responsibility to express an opinion on the financial statements and the system of internal control over financial reporting based on an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (U.S.). The Audit Committee has the responsibility to monitor and oversee 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 29, 2008, the Audit Committee:

- reviewed and discussed the audited financial statements with Company management;
- reviewed and discussed with management its assessment of and report on the effectiveness of the Company's internal control over financial reporting as of June 29, 2008, which management prepared using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal-Control Integrated Framework. The Committee also reviewed and discussed with Ernst & Young LLP, the Company's independent registered public accounting firm, Ernst & Young LLP's attestation report on the Company's internal control over financial reporting;
- discussed with Ernst & Young LLP the matters required to be discussed by Statement of Auditing Standards No. 61, "Communication with Audit Committees," as amended by Statement of Auditing Standards No. 90, "Audit Committee Communications";
- reviewed the written disclosures and the letter from Ernst & Young LLP, required by the Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees," 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 2008 Annual Report on Form 10-K for the fiscal year ended June 29, 2008, filed with the SEC; and
- instructed management and the independent registered public accounting firm that the Committee expects to be advised if there are any subjects that require special attention.

In connection with the Company's voluntary internal review during fiscal year 2008 of its historical stock option granting practices and the resulting restatement of financial statements for fiscal years 1997 through 2006, the Audit Committee, in coordination with the special committee of the Board appointed to oversee the voluntary internal review, monitored and reviewed Ernst & Young LLP's services related to the internal review and the resulting restatement. Further details regarding the voluntary internal review and financial restatements are available in the Company's SEC filings and in press releases accessible via the "News Room" page of the Company's web site, *www.lamresearch.com*.

AUDIT COMMITTEE
David G. Arscott
Grant M. Inman
Catherine P. Lego
Seiichi Watanabe

RELATIONSHIP WITH INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM; PRINCIPAL ACCOUNTING FEES AND SERVICES

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 2008 and 2007.

Services / Type of Fee	Fiscal Year 2008	Fiscal Year 2007
Audit Fees(1)	$2,623,000	$2,132,000
Audit-Related Fees(2)	3,188,000	147,000
Tax Fees(3)	—	—
All Other Fees(4)	—	—
TOTAL	$5,811,000	$2,279,000

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

(2) Audit-related fees consist of assurance and related services that are reasonably related to the audit or review of the Company's financial statements and are not reported above under "Audit Fees." For fiscal year 2008, these fees related primarily to the Company's voluntary internal stock option review, synthetic lease issues, and the adoption of FIN 48.

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

(4) All other fees relate principally to fees for subsidiary-related services.

The Audit Committee reviewed summaries of the services provided by Ernst & Young LLP and the related fees during fiscal year 2008 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 2008.

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 decision on his part 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.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of June 29, 2008, regarding securities authorized for issuance under the Company's equity compensation plans. The equity compensation plans of the Company include the 1991 Stock Option Plan, the 1996 Performance-Based Restricted Stock Plan, the 1997 Stock Incentive Plan, the 1999 Stock Option Plan, the 2007 Equity Incentive Plan, and the 1999 Employee Stock Purchase Plan.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights (5)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	2,257,344[(1)(2)]	$19.60	19,280,952[(3)]
Equity compensation plans not approved by security holders	2,045,574[(4)]	$22.20	2,700,485
Total	4,302,918	$21.60	21,981,437

(1) Includes shares issuable under the Company's 1997 Stock Incentive Plan (the "1997 Plan"). The 1997 Plan was adopted by the Board in May 1997 and approved by the stockholders of the Company in August 1997. In October 2002, the Board amended the 1997 Plan to provide for the issuance of restricted stock unit awards, allow all 1997 Plan participants to participate in exchanges of stock options previously permitted under the 1997 Plan, and provide that vesting of restricted stock, deferred stock, performance share and restricted stock unit awards would be determined by the administrator of the Plan at the time of the award grant. The 1997 Plan expired on August 5, 2007.

(2) Includes 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 stockholders of the Company in November 2006, and amended by the Board in November 2006. The 2007 Plan reserves for issuance up to 15,000,000 shares of the Company's Common Stock.

(3) Includes 6,141,631 shares available for future issuance under the 1999 Employee Stock Purchase Plan ("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, as amended.

(4) Includes shares issuable under the Company's 1999 Stock Option Plan (the "1999 Option Plan"). The 1999 Option Plan reserves for issuance up to 27,500,000 shares of the Company's Common Stock.

The 1999 Option Plan was adopted by the Board as of November 5, 1998 (the "Effective Date") and amended and restated as of October 16, 2002 and November 7, 2002. All directors, officers and employees of Lam and its designated subsidiaries, as well as consultants, advisors or independent contractors who provide valuable services to the Company or such subsidiaries, are eligible to participate in the 1999 Option Plan.

Nonstatutory stock options, deferred stock, restricted stock, performance shares, and restricted stock unit awards (collectively, the "Awards") may be granted under the plan. Stock options granted under the 1999 Option Plan must have an exercise price that is not less than the fair market value of the Company's Common Stock on the date of the grant. The administrator shall determine the participants to whom Awards shall be granted and the terms of such Awards. The 1999 Option Plan terminates ten years from the Effective Date.

In the event of a corporate transaction such as a change of control, the 1999 Option Plan provides that each outstanding Award shall be assumed, or an equivalent Award substituted, by the successor corporation or a parent or subsidiary of the successor corporation. In the event that the successor corporation does not agree to assume the Award or substitute an equivalent Award, subject to limitations that may be placed on an Award on the date of grant, outstanding Awards shall accelerate and become fully exercisable.

(5) Does not include restricted stock units (RSUs) with an exercise price of $0.00.

PROPOSAL NO. 2
RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Unless marked otherwise, proxies received will be voted "FOR" the ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm for the Company for the current fiscal year. Ernst & Young LLP has been the Company's independent registered public accounting firm (independent auditor) since fiscal year 1981.

The audit services of Ernst & Young LLP during fiscal year 2008 included the examination of the consolidated financial statements and the system of internal control over financial reporting of the Company and services related to filings with the SEC and other regulatory bodies. Audit-related services during fiscal year 2008 related primarily to the Company's voluntary internal review of historical stock option granting practices and the resulting restatement of financial statements for fiscal years 1997 through 2006, synthetic lease issues, and the adoption of FIN 48.

The Audit Committee of the Company meets with Ernst & Young LLP on an annual or more frequent basis. At such time, the Audit Committee reviews both audit and non-audit services performed by Ernst & Young LLP, as well as the fees charged for such 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 such 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 "*Report of the Audit Committee*" and the "*Relationship with Independent Registered Public Accounting Firm*" sections above.

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.

Approval of Proposal No. 2 will require the affirmative vote of a majority of the outstanding shares of Common Stock present or represented and voting on such Proposal at the Annual Meeting. Unless marked otherwise, proxies received will be voted "FOR" the approval of Proposal No. 2.

THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2009.

OTHER MATTERS

The Company knows of no other matters to be submitted to the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the proxy holders named in the enclosed form of proxy to vote the shares they represent as the Board of Directors may recommend or, if no such recommendation is given, 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. You are, therefore, urged to execute and return, at your earliest convenience, the accompanying proxy card in the enclosed envelope or otherwise exercise your stockholder voting rights by telephone or Internet, as provided in the materials accompanying this Proxy Statement.

By Order of the Board of Directors,

George M. Schisler, Jr.
Secretary

Fremont, California
Dated: October 6, 2008

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 29, 2008

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** (Address of principal executive offices)	**94538** (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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

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

The aggregate market value of the Registrant's Common Stock, $0.001 par value, held by non-affiliates of the Registrant, as of December 23, 2007, 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 $4,510,079,158. 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 15, 2008, the Registrant had 125,429,388 outstanding shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held November 6, 2008 are incorporated by reference into Part III of this Form 10-K. (However, the Reports of the Audit Committee and Compensation Committee are expressly not incorporated by reference herein.)

LAM RESEARCH CORPORATION

2008 ANNUAL REPORT ON FORM 10-K

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PART I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

With the exception of historical facts, the statements contained in this discussion are forward-looking statements, which are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Certain, but not all, of the forward-looking statements in this report are specifically identified. The identification of certain statements as "forward-looking" is not intended to mean that other statements not specifically identified are not forward-looking. Forward-looking statements include, but are not limited to, statements that relate to our future revenue, shipments, cost and margins, product development, demand, acceptance and market share, competitiveness, market opportunities, levels of research and development (R&D), outsourced activities and operating expenses, anticipated manufacturing, customer and technical requirements, the ongoing viability of the solutions that we offer and our customer's success, tax expenses, our management's plans and objectives for our current and future operations and business focus, the levels of customer spending or R&D activities, general economic conditions, the sufficiency of financial resources to support future operations, and capital expenditures. Such statements are based on current expectations and are subject to risks, uncertainties, and changes in condition, significance, value and effect, including without limitation those discussed below under the heading "Risk Factors" within Item 1A and elsewhere in this report and other documents we file from time to time with the Securities and Exchange Commission (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 herein and in ways not readily foreseeable. 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 undertake no 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 hereof or to reflect the occurrence or effect of anticipated or unanticipated events. All references to fiscal years apply to our fiscal years, which ended June 29, 2008, June 24, 2007, and June 25, 2006.

Item 1. *Business*

Lam Research Corporation ("Lam Research," "Lam," "we," or the "Company") is a leading supplier of wafer fabrication equipment and services to the worldwide semiconductor industry. Our wafer fabrication equipment, services, and extensive technical expertise have contributed to advancing semiconductor manufacturing and producing some of the world's most advanced semiconductor devices for more than 25 years. We are recognized as the market share leader in plasma etch and, leveraging our etch expertise, we are addressing some of today's most advanced semiconductor processing challenges with an expanded product portfolio beyond etch.

We design, manufacture, market, 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 these areas to develop integrated processing solutions which typically benefit our customers through reduced cost, lower defect rates, enhanced yields, or faster processing time. Many of the technical advances that we introduce in our newest products are also available as upgrades to our installed base of equipment, 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 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. We also offer a broad portfolio of single-wafer clean technologies which allow our customers to implement customized yield-enhancing solutions. With each new technology node, additional requirements and challenges drive the need for advanced manufacturing solutions. We strive to consistently deliver these advanced capabilities with cost-effective production performance as we understand the close relationship between customer trust and the timely delivery of new solutions that leads to shared success with our customers.

Incorporated in 1980, Lam Research is headquartered in Fremont, California, and maintains a network of facilities throughout the United States, Japan, Europe, and Asia in order to meet the needs of its global customer base.

In March 2008, we completed our acquisition of SEZ Holding AG ("SEZ"), a leading supplier of single-wafer wet clean technology and products, founded in 1986, with primary operations based in Austria. SEZ's proprietary Spin-Processor™ technology (single-wafer spin clean technology) forms part of our broad equipment portfolio for wafer cleaning solutions. The single-wafer clean market is central to our adjacent market growth strategy. As approximately 50% of the wafer cleaning steps in a fab immediately follow an etch process, acquiring a major wafer clean company is a natural and logical step to growing our business. The combination of the two companies allows us to offer a full spectrum of single-wafer cleaning and surface preparation solutions, with products incorporating proprietary single-wafer spin, linear, plasma-based bevel clean, and strip technologies.

Additional information about Lam Research is available on our web site at http://www.lamresearch.com. Our Annual Report on Form 10-K, Quarterly Reports on Forms 10-Q, Current Reports on Form 8-K, and any amendments to those reports are available on our website as soon as reasonably practicable after we filed them with or furnish them to the Securities and Exchange Commission ("SEC"), and are also available online at the SEC web site at http://www.sec.gov.

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 by utilizing various plasma-based technologies to create critical device features at current and future technology nodes. Plasma consists of charged and neutral species that react with exposed portions of the wafer surface to remove dielectric or conductive materials and produce the finely delineated features and patterns of an integrated circuit.

Dielectric Etch

For dielectric etch, new materials integration often requires etching multi-layer film stacks. In addition to the challenges introduced by new materials and scaling, device manufacturers' desire to reduce 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 more than 13 years, our patented Dual Frequency Confined™ technology has been extended to incorporate multi-frequency power with a 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™ 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™ Dielectric Etch Systems

Our 2300 Exelan Flex dielectric etch products represent a continuous evolution of the productivity and performance benefits of DFC technology. The Exelan Flex family allows a single chamber design to meet the requirements of a wide range of applications through multiple technology generations. Advances in system design, such as multiple frequencies, meet the more demanding uniformity and profile requirements for applications at the 45 nm node and beyond.

Conductor Etch

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

TCP Technology

Introduced in 1992, our Transformer Coupled Plasma™ technology continues to provide leading-edge capability for advanced conductor etch applications at the 45 nm node and beyond. By efficiently coupling radio frequency 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® Versys® Kiyo3x, 2300® Versys® Metal45™ Etch System Conductor Etch Systems

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

MEMS and Deep Silicon Etch

Micro-electromechanical systems ("MEMS") devices are increasingly being used in consumer applications, such as ink jet printer heads and inertial sensors. This is driving a number of MEMS 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 MEMS 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 ("Si DRIE"), offering broad process capability and flexibility for a wide range of MEMS, advanced packaging, and power semiconductor applications. Incorporation of our proprietary *in situ* chamber cleaning technology provides etch rate stability.

Three-Dimensional Integrated Circuits ("3-D IC") Etch

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

2300® Syndion™ Through-Silicon Via Etch System

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

Pattern Enhancement

Lithography challenges at the 45 nm node and beyond provide opportunities for non-lithographic solutions to continue device scaling. Innovative patterning methods are needed to produce the ever smaller feature sizes and tighter pitches (the center-to-center distance between features of an integrated circuit) demanded of today's advanced chip designs. We believe that patterning solutions offer opportunities to address the challenges of current and next-generation lithography systems and that the adoption of *in-situ* shrinks and double-patterning techniques may allow manufacturers to postpone investments in new lithography equipment.

2300® Motif™ Pattern Enhancement System

The 2300 Motif post-lithography pattern enhancement system enables cost-effective production of next-generation feature sizes using current lithography. Using a proprietary plasma-assisted process, the system reduces the original printed CD of a feature by as much as 50 nm for holes and 100 nm for trenches and delivers well-controlled final CDs as small as 10 nm.

Clean Process

The manufacture of semiconductor devices involves a series of processes such as etch and deposition, which leave particles and residues on the surface of the wafer. The wafer must generally be cleaned after these steps to remove 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.

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

Single-Wafer Wet Clean

As device geometries shrink and new materials are introduced, the number of wafer cleaning steps is increasing. In addition, each step has different selectivity and defectivity requirements that add to manufacturing complexity. The need to clean fragile structures without causing damage is a reason 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 has occurred for BEOL wet clean applications and a similar migration for front-end-of-line ("FEOL") wet clean applications appears to be occurring 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.

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

With the acquisition of SEZ in March 2008, we have expanded our portfolio to include single-wafer spin systems, in addition to gaining more than 20 years of experience in clean technology and a substantial installed customer base. This single-wafer Spin-Processor technology for cleaning and removing films has assisted the industry transition from batch to single-wafer wet processing. By offering advanced dilute chemistry and solvent solutions in our systems, our single-wafer spin clean systems address certain defectivity and material integrity requirements.

Single-Wafer Linear Clean Product: C3™ Technology

To meet the challenges of smaller critical dimensions, increasing aspect ratios, and new materials integration, our Confined Chemical Cleaning™ ("C3") technology is targeted at applications requiring high-selectivity residue removal without damaging sensitive device structures. The C3 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's 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-Based Bevel Clean System

The 2300 Coronus plasma-based 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 reproducible results and superior encroachment control and is designed to remove a wide range of material types, in multiple applications throughout the manufacturing process flow.

The Lam Research logo, Lam Research, and all product and service names used herein 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.

Research and Development

The market for semiconductor capital equipment is characterized by rapid technological change and product innovation. Our ability to obtain 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 2008, 2007, and 2006 were $323.8 million, $285.3 million, and $229.4 million, respectively. The majority of spending is targeted at etch and plasma-based technology applications with an increasing proportion focused on adjacent markets including single-wafer spin wet clean, pre- and post-etch step opportunities, consistent with our multi-product growth strategy. We believe current challenges for customers in the pre- and post-etch applications present opportunities for us. We plan to leverage our extensive production experience in etch and strip into new products and new capabilities for our customers at the 65, 45, and 32 nm nodes, including post ion implantation strip, clean, and patterning.

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 our customers' 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 field 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 offer standard warranties for our systems that generally run for a period of 12 months from system acceptance. The warranty provides that systems shall be free from defects in material and workmanship and conform to our published 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, 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 29, 2008	June 24, 2007	June 25, 2006
		(in thousands)	
Revenue:			
United States	$ 417,807	$ 408,631	$ 238,009
Europe	235,191	237,716	208,369
Asia Pacific	308,984	451,487	193,181
Taiwan	502,683	573,875	277,731
Korea	554,924	531,310	366,939
Japan	455,322	363,557	357,942
Total revenue	$2,474,911	$2,566,576	$1,642,171

Please see Note 18, “Segment, Geographic Information and Major Customers”, to Consolidated Financial Statements for a description of the geographic locations of long-lived assets.

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 opportunity. In fiscal year 2008, revenues from Samsung Electronics Company, Ltd. and Toshiba Corporation accounted for approximately 19% and 13%, respectively, of total revenues. In fiscal year 2007, revenues from Hynix Semiconductor and Samsung Electronics Company, Ltd., each accounted for approximately 14% of total revenues. In fiscal year 2006, revenues from Samsung Electronics Company, Ltd., accounted for approximately 15% of total revenues and revenues from Toshiba Corporation accounted for approximately 12% 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

Our unshipped orders backlog includes orders for systems, spares, and services where written customer requests have been accepted and the delivery of products or provision of services is anticipated within the next 12 months. Our policy is to revise our backlog for order cancellations and to make adjustments to reflect, among other things, spares volume estimates and customer delivery date changes. In general, we schedule production of our systems based upon purchase orders in backlog and our customers' delivery requirements. Included in our systems backlog are orders for which written requests have been accepted, prices and product specifications have been agreed upon, and shipment of systems is expected within one year. The spares and services backlog includes customer orders for products that have not yet shipped and for services that have not yet been provided. 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.

As of June 29, 2008 and June 24, 2007, our backlog was approximately $410 million and $643 million, respectively. Generally, orders for our products and services are subject to cancellation by our customers with limited penalties. Because some orders are received for shipments in the same quarter and due to possible customer changes in delivery dates and cancellations of orders, our backlog at any particular date is not necessarily indicative of business volumes nor 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 more 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 8 herein, for further information concerning our outsourcing commitments.

Certain components and sub-assemblies included in our products are only obtained from a single supplier. We believe that, in many cases, alternative sources could be obtained and qualified to supply these products. Nevertheless, a 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. We are currently not aware of any pending notices of violation, fines, lawsuits, or investigations arising from environmental matters that would have any material effect on our business. We believe that we are in general 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, suspension of production, and cessation of our operations or reduction in our customers' acceptance of our products. These regulations could require us to alter our current operations, to acquire significant 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 15, 2008, we had approximately 3,800 regular employees.

Each of our employees is required to comply with our policies relating to maintaining the confidentiality of our proprietary information and with our statement of standards of business conduct. 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 will depend upon our ability to maintain existing products and introduce product enhancements and new products 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 provided that there is demonstrated performance to specification by 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 spares provider competition. We face significant competition with all of our products and services. 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. 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. ("DNS").

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 therein. 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 will not alone determine our success, which 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 Annual Report on Form 10-K as of and for the year ended June 29, 2008 (the "2008 Form 10-K).

Recent Acquisitions

During fiscal year 2008, we acquired approximately 99% of the outstanding shares of SEZ Holding AG ("SEZ"), a major supplier of single-wafer wet clean technology and products to the global semiconductor manufacturing industry. The acquisition was an all-cash transaction. We expect to take additional steps as necessary to acquire the SEZ shares that remain outstanding. The acquisition of these shares was conducted pursuant to the terms of a Transaction Agreement entered into on December 10, 2007 by and between the Company and SEZ. SEZ's Spin-Process single-wafer technology forms part of a broad equipment solution portfolio for wafer cleaning and decontamination, a key process adjacent to etch.

Other Cautionary Statements

See the discussion of risks in the section of this 2008 Form 10-K entitled Item 1A, "Risk Factors" and elsewhere in this report.

EXECUTIVE OFFICERS OF THE COMPANY

As of August 27, 2008, the executive officers of Lam Research were as follows:

Name	Age	Title
James W. Bagley	69	Executive Chairman
Stephen G. Newberry	54	President and Chief Executive Officer
Martin B. Anstice	41	Senior Vice President, Chief Financial Officer and Chief Accounting Officer
Ernest E. Maddock	50	Senior Vice President, Global Operations
Abdi Hariri	46	Group Vice President, Customer Support Business Group
Richard A. Gottscho	56	Group Vice President and General Manager, Etch Businesses
Thomas J. Bondur	40	Vice President, Global Field Operations

James W. Bagley became Chief Executive Officer and a Director of the Company with the merger of Lam Research and OnTrak Systems, Inc., in 1997. Effective September 1, 1998, he was appointed Chairman of the Board. On June 27, 2005, Mr. Bagley transitioned from Chairman of the Board and Chief Executive Officer to Executive Chairman of the Board of Lam Research. Mr. Bagley currently is a director of Teradyne, Inc. and Micron Technology, Inc. From June 1996 to August 1997, Mr. Bagley served as Chairman of the Board and Chief Executive Officer of OnTrak Systems, Inc. He was formerly Chief Operating Officer and Vice Chairman of the Board of Applied Materials, Inc., where he also served in other senior executive positions during his 15-year tenure. Mr. Bagley held various management positions at Texas Instruments, Inc., before he joined Applied Materials, Inc.

Stephen G. Newberry joined the Company in August 1997 as Executive Vice President and Chief Operating Officer. He was appointed President and Chief Operating Officer of Lam Research in July 1998 and President and Chief Executive Officer in June 2005. Mr. Newberry currently serves as a director of Lam Research Corporation and of SEMI, the industry's trade association. Prior to joining Lam Research, Mr. Newberry served as Group Vice President of Global Operations and Planning at Applied Materials, Inc. During his 17 years at Applied Materials, he held various positions in manufacturing, product development, sales and marketing, and customer service. Mr. Newberry is a graduate of the U.S. Naval Academy (BS Ocean Engineering) and the Harvard Graduate School of Business (Program for Management Development) and served five years in naval aviation prior to joining Applied Materials.

Martin B. Anstice joined Lam Research in April 2001 as Senior Director, Operations Controller, was promoted to the position of Managing Director and Corporate Controller in May 2002, and was promoted to Group Vice President, Chief Financial Officer, and Chief Accounting Officer in June 2004 and named Senior Vice President, Chief Financial Officer and Chief Accounting Officer in March 2007. 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, Senior Vice President of Global Operations since March 2007 and previously Group Vice President of Global Operations since October 2003, currently oversees Global Operations which consists of: Information Technology, Global Supply Chain, Production Operations, Corporate Quality, Global Security, Global Real Estate and Facilities. Additionally, Mr. Maddock heads Bullen Semiconductor, a division of Lam Research. Mr. Maddock joined the Company in November 1997. Mr. Maddock's previously held positions with the Company include Vice President of the Customer Support Business Group. Prior to his employment with Lam Research, he 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.

Abdi Hariri was named Group Vice President of the Customer Support Business Group in March 2007. Prior to his current position, Mr. Hariri had been Vice President and General Manager of the Customer Support Business Group since August 2004. Mr. Hariri previously served as the General Manager of Lam Research Co. Ltd. (Japan) for approximately 18 months and has served in a number of different assignments with the Field Sales and Product Groups. His experience prior to his appointment in Japan included over 13 years at the Company with various responsibilities, including global business development and engineering. Prior to his employment at Lam Research, Mr. Hariri served as a Process Engineer at Siliconix, Inc. He holds a Masters Degree in Chemical Engineering from Stanford University.

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

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

Item 1A. *Risk Factors*

In addition to the other information in this 2008 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.

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. If revenue levels in a particular quarter do not meet our expectations, our operating results may be adversely affected. 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 single transaction 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 generally and the equipment industry specifically;
- the extent that customers use our products and services in their business;
- timing of customer acceptances of equipment;
- the size and timing of orders from customers;
- customer cancellations or delays in our shipments, installations, and/or acceptances;
- 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;
- changes in import/export regulations;
- transportation, communication, demand, information technology or supply disruptions based on factors outside our control such as acts of God, wars, terrorist activities, and natural disasters;
- legislative, tax, accounting, or regulatory changes or changes in their interpretation;
- procurement shortages;
- manufacturing difficulties;
- the failure of our suppliers or outsource providers to perform their obligations in a manner consistent with our expectations;
- changes in our estimated effective tax rate;
- new or modified accounting regulations and practices; and
- exchange rate fluctuations.

Further, because a significant amount of our R&D and administrative operations and capacity is located at our Fremont, California campus, natural, physical, logistical or other events or disruptions affecting these facilities (including labor disruptions, earthquakes, and power failures) could adversely impact our financial performance.

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 can range in price up to approximately $6 million per unit, and our revenues in any given quarter are dependent upon the acceptance of a rather limited number of such systems. As a result, the inability to declare revenue on even a few systems can cause a significant adverse impact on our revenues for that quarter.

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 could cause our quarterly operating results to fluctuate.

The Semiconductor Equipment Industry is Volatile and Reduced Product Demand Has a Negative Impact on Shipments

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 and products using integrated circuits. The semiconductor industry is cyclical in nature and historically experiences periodic downturns. Business conditions historically have changed rapidly and unpredictably.

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

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 enabling such 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 or quality 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 complete commercialization of 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 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 these 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 which 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 change 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 a more limited product line 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 primarily a provider of etch equipment, our business is affected by our customers' use of etching steps in their processes. Should technologies change so that the manufacture of semiconductor chips requires fewer etching steps, this might have a larger impact on our business than it would on the business of our less concentrated competitors.

We Have a Limited Number of Key Customers

Sales to a limited number of large customers constitute a significant portion of our overall revenue, new orders and profitability. As a result, the actions of even one customer may subject us to revenue swings that are difficult to predict. Similarly, significant portions of our credit risk may, at any given time, be concentrated among a limited number of customers, so that the failure of even one of these key customers to pay its obligations to us could significantly impact our financial results.

Strategic Alliances May Have Negative Effects on Our Business

Increasingly, semiconductor companies are entering into strategic alliances with one another to expedite the development of processes and other manufacturing technologies. Often, one of the outcomes of such an alliance is the definition of a particular tool set for a certain function or a series of process steps that use a specific set of manufacturing equipment. While this could work to our advantage if Lam Research's 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 Lam Research's 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 subsequent business.

We are Dependent Upon 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 sold us products during at least the last four years, and we expect that we will continue to renew these contracts in the future or that we will otherwise replace them with competent alternative suppliers. However, several of our suppliers are relatively new providers to us so that our experience with them and their performance is limited. Where practical, our intent is 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, lower our revenues and thus adversely affect our operating results and result in damage to our customer relationships.

Our Outsource Providers May Fail to Perform as We Expect

Outsource providers have played and will play key roles 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 aim at selecting 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 outsource providers has required and will 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 relationships and/or 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. Accordingly, we expect it to be more difficult to sell to a given customer if that customer initially selects a competitor's equipment.

We are Subject to Risks Associated with Our Competitors' Strategic Relationships and Their Introduction of New Products and We May Lack the Financial Resources or Technological Capabilities of Certain of Our Competitors Needed to Capture Increased Market Share

We expect to face significant competition from multiple current and future competitors. We believe that other companies are developing systems and products that are competitive to ours and are planning to 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 will require 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 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. For these reasons, we may fail to continue to compete successfully worldwide.

In addition, our competitors may provide innovative technology that may have performance advantages over systems we currently, or expect to, offer. They 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 currently are developing additional 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, we may be unable to continue to compete in our markets, competition may intensify, or future competition may have a material adverse effect on our revenues, operating results, financial condition, and/or cash flows.

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

Non-U.S. sales accounted for approximately 83% in fiscal year 2008, 84% in fiscal year 2007 and 86% in fiscal year 2006 of our total revenue. We expect that international sales will continue to account for a significant portion of our total revenue in future years.

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

- trade balance issues;
- economic and political conditions;
- changes in currency controls;
- differences in the enforcement of intellectual property and contract rights in varying jurisdictions;
- our ability to develop relationships with local suppliers;
- compliance with U.S. and international laws and regulations, including U.S. export restrictions;
- fluctuations in interest and currency exchange rates;
- the need for technical support resources in different locations; and
- our ability to secure and retain qualified people for the operation of our business.

Certain international sales depend on our ability to obtain export licenses from the U.S. Government. Our failure or inability to obtain such licenses would substantially limit our markets and severely restrict our revenues. Many of the challenges noted above are applicable in China, which is a fast developing market for the semiconductor equipment industry and therefore an area of potential significant growth for our business. As the business volume between China and the rest of the world grows, there is inherent risk, based on the complex relationships between China, Taiwan, Japan, and the United States. Political and diplomatic influences might lead to trade disruptions which would adversely affect our business with China and/or Taiwan and perhaps the entire Asia region. A significant trade disruption in these areas could have a material, 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 except for certain of our revenues that are denominated in Japanese yen, certain of our revenues and expenses denominated in the Euro, certain of our spares and service contracts which are denominated in various currencies, and expenses related to our non-U.S. sales and support offices which are denominated in these countries' local currency.

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

Our Financial Results May be Adversely Impacted by Higher Than Expected Tax Rates or Exposure to Additional Income 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 both 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, which could affect our profitability. In particular, the carrying value of deferred tax assets, which are predominantly in the United States, is dependent on our ability to generate future taxable income in the United States. In addition, the amount of income taxes we pay is subject to ongoing audits in various jurisdictions, and a material assessment by a governing tax authority could affect our profitability.

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

We are subject to a variety of governmental regulations related to the discharge or disposal of toxic, volatile or otherwise hazardous chemicals. We believe that we are in general compliance with these regulations and that we have obtained (or will obtain or are otherwise addressing) all necessary environmental permits to conduct our business. These permits generally relate to the disposal of hazardous wastes. Nevertheless, the failure to comply with present or future regulations could result in fines being imposed on us, suspension of production, cessation of our operations or reduction in our customers' acceptance of our products. These regulations could require us to alter our current operations, to acquire significant equipment or to incur substantial other expenses to comply with environmental regulations. Our failure to control the use, sale, transport or disposal of hazardous substances could subject us to future liabilities.

If We are Unable to Adjust the Scale of Our Business in Response to Rapid Changes in Demand in the Semiconductor Equipment Industry, Our Operating Results and Our Ability to Compete Successfully May be Impaired

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 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 and procedures and in training, managing, and appropriately sizing our supply chain, our work force, and other components of our business on a timely basis. 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. If we do not adequately meet these challenges, our gross margins and earnings may be impaired during periods of demand decline, and we may lack the infrastructure and resources to scale up our business to meet customer expectations and compete successfully during periods of demand growth.

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

An important element of our management strategy is to review acquisition prospects that would complement our existing products, augment our market coverage and distribution ability, or enhance our technological capabilities. As a result, we may make acquisitions of complementary companies, products or technologies, such as our March 2008 acquisition of SEZ, 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 entails 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 among others. We anticipate that our recent acquisition of SEZ will give rise to risks like these, as we integrate its operations with ours. 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 acquisitions could result in changes such as potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities, the amortization of related intangible assets, and goodwill impairment charges, any of which could materially adversely affect our business, financial condition, and results of operations and/or the price of our Common Stock.

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

The market price for our Common Stock is volatile and has fluctuated significantly over the past years. The trading price of our Common Stock could continue to be highly volatile and fluctuate widely in response to factors, including but not limited to the following:

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

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 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 the price for our Common Stock.

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 by us or by our outsource providers or even third parties such as vendors and contractors and may be maintained by us or by such providers and third parties. These Information Systems are subject to attacks, failures, and access denials from a number of potential sources including viruses, destructive or inadequate code, power failures, and physical damage to computers, hard drives, communication lines, and networking equipment. To the extent that these Information Systems are under our control, we have implemented security procedures, such as virus protection software and emergency recovery processes, to address the outlined risks.

However, security procedures for Information Systems cannot be guaranteed to be failsafe and our inability to use or access these Information Systems at critical points in time could unfavorably impact the timely and efficient operation of our business.

Intellectual Property and Other Claims Against Us Can be Costly and Could Result in the Loss of Significant Rights Which are Necessary to Our Continued Business and Profitability

Third parties may assert infringement, unfair competition 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, our Bylaws and indemnity obligations provide that we will indemnify officers and directors against losses that they may incur in legal proceedings resulting from their service to Lam Research. In such cases, it is our policy either to defend the claims or to negotiate licenses or other settlements on commercially reasonable terms. However, we may be unable in the future to negotiate necessary licenses or reach agreement on other settlements on commercially reasonable terms, or at all, and any litigation resulting from these claims by other parties may materially adversely affect our business and financial results. Moreover, although we seek to obtain insurance to protect us from claims and cover losses to our property, there is no guarantee that such insurance will fully indemnify us for any losses that we may incur.

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

Our success depends in part on our proprietary technology. While we attempt to protect our proprietary technology through patents, copyrights and trade secret protection, we believe that our success also depends on increasing our technological expertise, continuing our development of new systems, increasing market penetration and growth of our installed base, and providing comprehensive support and service to our customers. However, we may be unable to protect our technology in all instances, or our competitors may develop similar or more competitive technology independently. 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. In addition, the rights granted or anticipated under any of these patents or pending patent applications may be narrower than we expect or, in fact, provide no competitive advantages.

We are Subject to the Internal Control Evaluation and Attestation Requirements of Section 404 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to include in our annual report our assessment of the effectiveness of our internal control over financial reporting and our audited financial statements as of the end of each fiscal year. Furthermore, our independent registered public accounting firm (the "Independent Registered Public Accounting Firm") is required to report on whether it believes we maintained, in all material respects, effective internal control over financial reporting as of the end of each fiscal year. We have successfully completed our assessment and obtained our Independent Registered Public Accounting Firm's attestation as to the effectiveness of our internal control over financial reporting as of June 29, 2008. In future years, if we fail to timely complete this assessment, or if our Independent Registered Public Accounting Firm cannot timely attest to our assessment, we could be subject to regulatory sanctions and a loss of public confidence in our internal control. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to timely meet our regulatory reporting obligations.

Our Independent Registered Public Accounting Firm Must Confirm Its Independence in Order for Us to Meet Our Regulatory Reporting Obligations on a Timely Basis

Our Independent Registered Public Accounting Firm communicates with us at least annually regarding any relationships between the Independent Registered Public Accounting Firm and Lam Research that, in the Independent Registered Public Accounting Firm's professional judgment, might have a bearing on the Independent Registered Public Accounting Firm's independence with respect to us. If, for whatever reason, our Independent Registered Public Accounting Firm finds that it cannot confirm that it is independent of Lam Research based on existing securities laws and registered public accounting firm independence standards, we could experience delays or other failures to meet our regulatory reporting obligations.

The Results of Our Independent Committee Review of Our Historical Stock Option Practices and Resulting Restatements May Continue to Have Adverse Effects on Our Financial Results.

The review by a special committee of our Board of Directors consisting of two independent Board members (the "Independent Committee") of our historical stock option practices and the resulting restatement of our historical financial statements have required us to expend significant management time and incur significant accounting, legal, and other expenses during fiscal year 2008. The resulting restatements have had a material adverse effect on our results of operations. We have restated our historical results of operations to record additional non-cash, stock-based compensation expense of $95.2 million in the aggregate for the periods from fiscal 1997 to fiscal 2006 (excluding the impact of related payroll and income taxes). We amortized less than $0.1 million of compensation expense under Statement of Financial Accounting Standards No. 123R ("SFAS No. 123R") in periods subsequent to fiscal year 2006 to properly account for previously issued stock options with deemed incorrect measurement dates. Furthermore, to address potential adverse tax consequences certain of our employees have incurred or may incur as a result of the issuance and/or exercise of misdated stock options, we have taken and will continue to take remedial actions to make such employees including our Chief Executive Officer and other affected executive officers, whole for any or all such additional tax liabilities which were approximately $50 million as of June 29, 2008. Such actions have caused and in the future may cause us to incur additional cash or noncash compensation expense. See the "Explanatory Note" immediately preceding Part I, Item 1 and Note 3, "Restatements of Consolidated Financial Statements," to Notes to Consolidated Financial Statements of our Annual Report on Form 10-K as of and for the year ended June 24, 2007 ("2007 Form 10-K") for further discussion.

We May Be Subject to the Risks of Lawsuits in Connection With Our Historical Stock Option Practices, the Resulting Restatements, and the Remedial Measures We Have Taken.

We, and our current and former directors and officers, may become the subject of shareholder derivative and/or class action lawsuits and other legal proceedings relating to our historical stock option practices and resulting restatements in the future. We may also be subject to other kinds of lawsuits. Should any of these events occur, they could require us to expend significant management time and incur significant accounting, legal and other expenses. This could divert attention and resources from the operation of our business and adversely affect our financial condition and results of operations. In addition, the ultimate outcome of these potential actions could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price for our securities. Litigation may be time-consuming, expensive and disruptive to normal business operations, and the outcome of litigation is difficult to predict. The defense of these potential lawsuits could result in significant expenditures.

Subject to certain limitations, we are obliged to indemnify our current and former directors, officers and employees in connection with any government inquiry or litigation related to our historical stock option practices that may arise. We currently hold insurance policies for the benefit of our directors and officers, although there can be no assurance that the insurance would cover all of the expenses that would be associated with any proceedings.

Judgment and Estimates Utilized by Us in Determining Stock Option Grant Dates and Related Adjustments May Be Subject to Change due to Subsequent SEC Guidance or Other Disclosure Requirements.

In determining the restatement adjustments in connection with the stock option review, management used all reasonably available relevant information to form conclusions it believes are appropriate as to the most likely option granting actions that occurred, the dates when such actions occurred, and the determination of grant dates for financial accounting purposes based on when the requirements of the accounting standards were met. We considered various alternatives throughout the course of the review and restatement, and we believe the approaches used were the most appropriate, and that the choices of measurement dates used in our review of stock option grant accounting and restatement of our financial statements were reasonable and appropriate in our circumstances. However, the SEC may issue additional guidance on disclosure requirements related to the financial impact of past stock option grant measurement date errors that may require us to amend this filing or other filings with the SEC to provide additional disclosures pursuant to such additional guidance. Any such circumstance could also lead to future delays in filing our subsequent SEC reports. Furthermore, if we are subject to adverse findings in any of these matters, we could be required to pay damages or penalties or have other remedies imposed upon us which could harm our business, financial condition, and results of operations.

We Recently Regained Compliance with SEC Reporting Requirements. If We are Unable to Remain in Compliance, There May Be a Material Adverse Effect on our Business and Our Stockholders.

As a consequence of the Independent Committee review of our historical stock option practices and resulting restatements of our financial statements, for several quarters, we were not able to file our periodic reports with the SEC on a timely basis and faced the possibility of delisting of our stock from the NASDAQ Global Select Market. We have filed all of our tardy filings, which remediated the Company's non-compliance with Marketplace Rule 4310(c) (14), and believe we are we are in compliance with all applicable reporting requirements. However, if the SEC disagrees with the manner in which the financial impact of past stock option grants has been accounted for and reported, or not reported, there could be delays in filing future SEC reports. See the "Explanatory Note" immediately preceding Part I, Item 1 and Note 3, "Restatements of Consolidated Financial Statements," to Consolidated Financial Statements of our 2007 Form 10-K for further discussion.

As a result of the delayed filings of our Quarterly Reports on Form 10-Q for the quarters ended September 23, 2007 and December 23, 2007, as well as of the 2007 Form 10-K, we are ineligible to register our securities on Form S-3 for sale by us or resale by others until one year from March 31, 2008, the date the last delinquent filing was made. We may use Form S-1 to raise capital or complete acquisitions, but doing so could increase transaction costs and adversely impact our ability to raise capital or complete acquisitions of other companies in a timely manner.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Our executive offices and principal operating and R&D facilities are located in Fremont, California, and are held under operating leases expiring from fiscal years 2010 to 2014. 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 year 2008 rental expense for the space occupied during that period aggregated approximately $11 million. Our facilities lease obligations are subject to periodic increases, and 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 such parties' patent or other intellectual property rights by our products. In such cases it is our policy to defend the claims, or if considered appropriate, negotiate licenses on commercially reasonable terms. However, no assurance can be given that we will be able 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 our consolidated financial position, liquidity, operating results, or our consolidated financial statements taken as a whole.

Item 4. *Submission of Matters to a Vote of Security Holders*

The 2007 Annual Meeting of Stockholders of Lam Research Corporation was held at the principal office of the Company at 4650 Cushing Parkway, Fremont, California 94538 on June 10, 2008.

The results of voting on the following items were as set forth below:

Proposal No. 1 – Election of Directors to Board of Directors

NOMINEE	IN FAVOR	% IN FAVOR	WITHHELD
James W. Bagley	111,444,886	98.5%	1,760,511
David G. Arscott	106,854,361	94.4%	6,351,036
Robert M. Berdahl	104,255,653	92.1%	8,949,744
Richard J. Elkus, Jr.	103,855,753	91.8%	9,349,644
Jack R. Harris	103,852,111	91.8%	9,353,286
Grant M. Inman	106,852,882	94.4%	6,352,515
Catherine Lego	112,385,402	99.3%	819,995
Stephen G. Newberry	66,732,043	58.9%	46,473,354
Seiichi Watanabe	112,388,811	99.3%	816,586
Patricia Wolpert	109,385,311	96.6%	3,820,086

Proposal No. 2 – Ratification of Appointment of Ernst and Young LLP as Independent Registered Public Accounting Firm (Auditor) of the Company for the Current (2008) Fiscal Year

	IN FAVOR	AGAINST	ABSTAIN
Beneficial Vote:	111,767,874	1,306,133	71,227
Registered Vote:	49,812	9,901	450
Total Shares Voted:	111,817,686	1,316,034	71,677
% of Voted Shares:	98.8%	1.2%	.1%
% of Outstanding Shares:	89.5%	1.1%	.1%

PART II

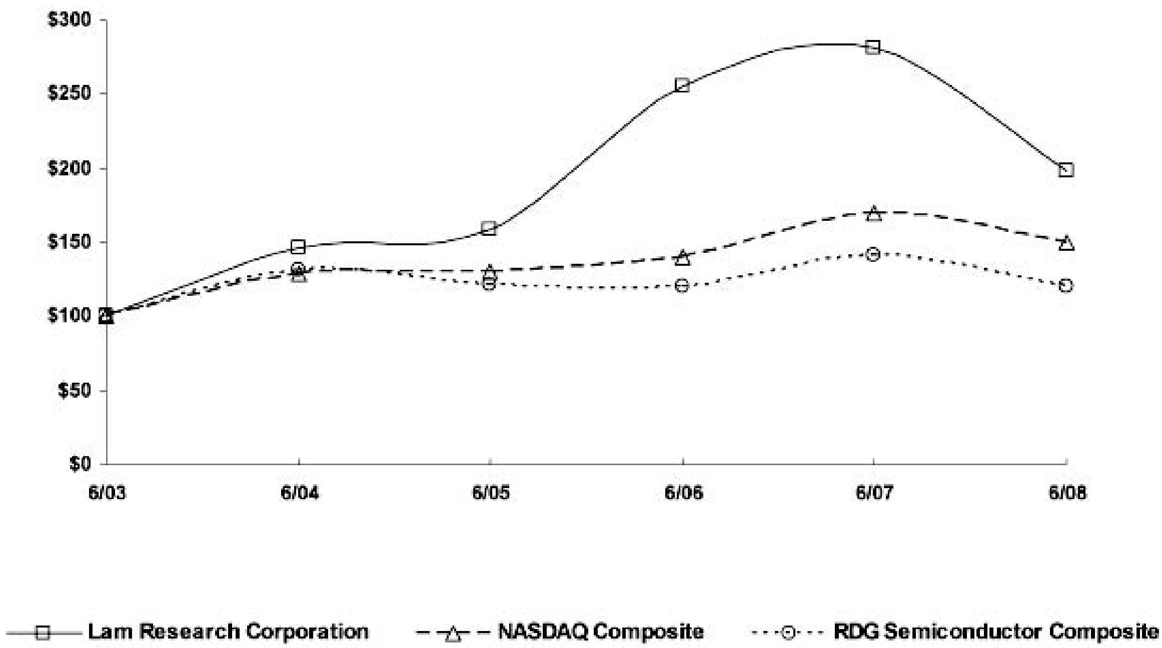
Item 5. ***Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

The information required by this Item with respect to the market price of the Company's Common Stock, number of holders thereof, and payment of dividends is incorporated by reference from Item 6, "Selected Financial Data" below.

As of the beginning of fiscal year 2008, there were no shares remaining available for repurchase under prior Board authorized repurchase programs. During fiscal year 2008, there were 287,855 shares which the Company withheld through net share settlements upon the vesting of restricted stock unit awards under the Company's equity compensation plans to cover tax withholding obligations.

The following graph compares the cumulative 5-year total return attained by shareholders on Lam Research Corporation's Common Stock relative to the cumulative total returns of the NASDAQ Composite index and the 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, 2003 to June 30, 2008.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
AMONG LAM RESEARCH CORPORATION, THE NASDAQ COMPOSITE INDEX
AND THE RDG SEMICONDUCTOR COMPOSITE INDEX



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* $100 invested on 6/30/03 in stock & index-including reinvestment of dividends.

Assumes fiscal year ending June 30.

	6/03	6/04	6/05	6/06	6/07	6/08
Lam Research Corporation	**100.00**	**146.77**	**158.54**	**255.86**	**281.49**	**197.97**
NASDAQ Composite	**100.00**	**128.49**	**129.74**	**140.22**	**169.32**	**149.51**
RDG Semiconductor Composite	**100.00**	**131.98**	**120.95**	**119.89**	**141.39**	**120.02**

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

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

	Year Ended				
	June 29, 2008 (1)	**June 24, 2007**	**June 25, 2006**	**June 26, 2005**	**June 27, 2004**
	(in thousands, except per share data)				
OPERATIONS:					
Total revenue	$2,474,911	$2,566,576	$1,642,171	$1,502,453	$ 935,946
Gross margin	1,173,406	1,305,054	827,012	763,464	430,103
Restructuring charges and asset impairments, net (2)	6,366	—	—	14,201	8,327
409A expense (3)	43,784	—	—	—	—
In-process research and development	2,074	—	—	—	—
Operating income (4)	509,431	778,660	404,768	388,142	96,793
Net income (loss)	439,349	685,816	335,210	297,252	77,486
Net income (loss) per share:					
Basic	$ 3.52	$ 4.94	$ 2.42	$ 2.16	$ 0.59
Diluted (5)	$ 3.47	$ 4.85	$ 2.33	$ 2.09	$ 0.54
BALANCE SHEET:					
Working capital	$1,280,028	$ 743,563	$1,138,720	$ 837,370	$ 499,366
Total assets	2,806,755	2,101,605	2,327,382	1,472,349	1,222,118
Long-term obligations, less current portion	385,132	252,487	350,969	2,786	9,554

(1) Fiscal year 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 Statement of Financial Accounting Standards No. 141, "Business Combinations". Please see Note 16 "Acquisitions" of Note to Consolidated Financial Statements for additional information.

(2) Restructuring charges and asset impairments, net exclude restructuring charges (recoveries) included in cost of goods sold and reflected in gross margin of $12.6 million and $(1.7) million for fiscal years 2008 and 2004, respectively. Restructuring amounts included in cost of goods sold and reflected in gross margin during fiscal year 2008 primarily relate to the integration of SEZ while the amounts in fiscal year 2004 primarily relate to the partial recovery of the charges from the subsequent sale of a portion of inventories associated with the write-off of selected, older product line inventories in connection with our prior restructuring plans. These restructuring recoveries are included as a component of cost of goods sold in accordance with Emerging Issues Task Force 96-9, "Classification of Inventory Markdowns and Other Costs Associated with a Restructuring" (EITF 96-9). There were no restructuring charges or recoveries included in cost of goods sold in fiscal years 2007, 2006, and 2005. Fiscal year 2005 restructuring charges consist only of additional liabilities related to prior restructuring plans.

(3) 409A expense excludes the expense included in cost of goods sold and reflected in gross margin of $6.4 million during fiscal year 2008. As a result of the determinations from a voluntary independent stock option review, the Company considered the application of Section 409A of the Internal Revenue Code of 1986, as amended ("IRC") and similar provisions of state law to certain stock option grants where, under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", intrinsic value was deemed to exist at the time of grant. In the event such stock option grants are not considered as issued at fair market value at the original grant date under the IRC and applicable regulations thereunder, these options are subject to Section 409A. On March 30, 2008, the Board of Directors of the Company authorized the Company to assume the tax liability of certain employees, including the Company's Chief Executive Officer and certain other executive officers, with options subject to Section 409A and similar provisions of state law.

(4) Operating income during the fiscal years ended June 29, 2008, June 24, 2007 and June 25, 2006 includes $42.6 million, $35.6 million and $24.0 million, respectively, of equity-based compensation expense as a result of the adoption of Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" at the beginning of fiscal year 2006.

(5) Diluted net income per share for the fiscal year ended June 27, 2004 includes the assumed conversion of the convertible subordinated 4% notes. Accordingly, interest expense, net of taxes, of $3.2 million has been added back to net income for computing diluted earnings per share.

UNAUDITED SELECTED QUARTERLY FINANCIAL DATA

Stock and Dividend Information:

	Three Months Ended (1)			
	June 29, 2008 (2)	March 30, 2008 (2)	December 23, 2007	September 23, 2007
	(in thousands, except per share data)			
QUARTERLY FISCAL YEAR 2008:				
Total revenue	$566,160	$613,810	$610,320	$684,621
Gross margin	234,650	287,208	307,661	343,887
Operating income	63,928	86,283	161,334	197,886
Net income	72,178	103,524	115,059	148,588
Net income per share				
Basic	$ 0.58	$ 0.83	$ 0.92	$ 1.20
Diluted	$ 0.57	$ 0.82	$ 0.91	$ 1.18
Price range per share	$35.98-$44.73	$36.15-$46.19	$42.67-$57.66	$49.48-$60.82
Number of shares used in per share calculations:				
Basic	125,046	124,768	124,685	124,057
Diluted	126,657	126,549	126,653	126,358

	Three Months Ended (1)			
	June 24, 2007	March 25, 2007	December 24, 2006	September 24, 2006
	(in thousands, except per share data)			
QUARTERLY FISCAL YEAR 2007:				
Total revenue	$678,519	$650,270	$633,400	$604,387
Gross margin	342,729	326,245	322,916	313,164
Operating income	200,349	188,973	194,505	194,833
Net income	170,231	164,741	167,326	183,518
Net income per share				
Basic	$ 1.31	$ 1.17	$ 1.18	$ 1.29
Diluted	$ 1.28	$ 1.15	$ 1.15	$ 1.27
Price range per share	$46.58-$56.04	$43.10-$54.68	$42.06-$57.05	$36.66-$47.46
Number of shares used in per share calculations:				
Basic	130,169	140,423	142,306	141,928
Diluted	132,868	143,052	145,346	144,850

(1) Our reporting period is a 52/53-week fiscal year. The fiscal year ended June 29, 2008 included 53 weeks. The quarter ended March 30, 2008 included 14 weeks while all other quarters presented above included 13 weeks.

(2) Includes the operating results of the SEZ from the acquisition date of March 11, 2008. The acquisition was accounted for as a business combination in accordance with Statement of Financial Accounting Standards No. 141, "Business Combinations". Please see Note 16 "Acquisitions" of Note to Consolidated Financial Statements for additional information.

Our Common Stock is traded on the Nasdaq Global Select Market under the symbol LRCX. The price range per share is the highest and lowest bid prices, as reported by The NASDAQ Stock Market, Inc., on any and all trading days during the respective quarter. As of August 15, 2008 we had 378 stockholders of record. In fiscal years 2008 and 2007 we did not declare or pay cash dividends to our stockholders. We currently have no plans to declare or pay cash dividends.

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 2008 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 2008 Form 10-K).

The semiconductor industry is cyclical in nature and has historically experienced periodic downturns and upturns. Today's leading indicators of changes in customer investment patterns may not be any more reliable than in prior years. Demand for our equipment can vary significantly from period to period as a result of various factors, including, but not limited to, economic conditions (generally and in the semiconductor industry), supply, demand, and prices for semiconductors, customer capacity requirements, and our ability to develop, acquire, and market competitive products. For these and other reasons, our results of operations for fiscal years 2008, 2007, and 2006 may not necessarily be indicative of future operating results.

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 2008 Form 10-K. MD&A consists of the following sections:

Executive Summary provides a summary of the key highlights of our results of operations

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, 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. 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 these areas to develop integrated and standalone processing solutions which typically benefit our customers through reduced cost, lower defect rates, enhanced yields, or faster processing time as well as by facilitating their ability to meet more stringent performance and design standards.

The following summarizes certain key quarterly and annual financial information for the periods indicated below (in thousands, except per share data and percentages):

	Three Months Ended				Year Ended	Year Ended
	June 29, 2008	March 30, 2008	December 23, 2007	September 23, 2007	June 29, 2008	June 24, 2007
Revenue	$ 566,160	$ 613,810	$ 610,320	$ 684,621	$ 2,474,911	$ 2,566,576
Gross margin	234,650	287,208	307,661	343,887	1,173,406	1,305,054
Gross margin as a percent of total revenue	41.4%	46.8%	50.4%	50.2%	47.4%	50.8%
Net income	72,178	103,524	115,059	148,588	439,349	685,816
Diluted net earnings per share	$ 0.57	$ 0.82	$ 0.91	$ 1.18	$ 3.47	$ 4.85

Our business model, which utilizes the capabilities of outsource providers, enables us to focus on new and existing product and process development, sales and marketing, and customer support. Although there are near-term challenges from declining customer investment levels, we continue to target to expand our leadership position in etch, leverage our etch expertise into adjacent markets and meet our objective of delivering best-in-class financial performance over the long term.

Fiscal year 2008 shipments were approximately $2.4 billion. Fiscal year 2008 revenues decreased 4% compared to fiscal year 2007 revenues reflecting a reduction in customer demand in the latter portion of the year.

Gross margin as a percent of revenues was 47.4% for fiscal year 2008 and decreased sequentially compared to fiscal year 2007 gross margin of 50.8%. This reduction was primarily due to customer concentration and product mix challenges and decreased factory utilization as a result of reduced shipment volumes on declining customer investment levels.

Fiscal year 2008 operating expenses include the assumption of Section 409A employee liabilities of $43.8 million and $19.3 million of costs related to our voluntary internal stock option review. Included in operating expenses is $29.5 million from the operations of SEZ since the date of acquisition. We also continue to invest significantly in research and development focused on leading-edge plasma etch, single-wafer clean, and other new products and technologies. Although there are near term pressures on our business from declining customer investment levels, we are targeting the longer term benefit of our product development activities. These factors, along with decreased revenues and gross margins noted above, contributed to the fiscal 2008 operating margin decrease to 20.6% compared with 30.3% in fiscal year 2007.

Our cash performance remained strong during fiscal year 2008 as our cash and cash equivalents, short-term investments and restricted cash and investments balances increased sequentially during fiscal year 2008 by $174.1 million after the cash acquisition of SEZ for $482.6 million, net of cash acquired. Cash flows from operating activities were $590.3 million during fiscal year 2008.

Results of Operations

Shipments and Backlog

	Three Months Ended				Year Ended
	June 29, 2008	March 30, 2008	December 23, 2007	September 23, 2007	June 29, 2008
Shipments (in millions)	$ 495	$ 658	$ 593	$ 621	$2,367
North America	13%	15%	17%	18%	16%
Europe	9%	7%	13%	7%	9%
Asia Pacific	15%	14%	13%	12%	13%
Taiwan	15%	19%	19%	26%	20%
Korea	22%	28%	19%	20%	22%
Japan	26%	17%	19%	17%	20%

Unshipped orders in backlog as of June 29, 2008 were approximately $410 million and decreased from approximately $643 million as of June 24, 2007 consistent with reduced spending commitments of our customers in the semiconductor industry. The basis for recording new orders is defined in our backlog policy. Our unshipped orders backlog includes orders for systems, spares, and services where written customer requests have been accepted and the delivery of products or provision of services is anticipated within the next 12 months. Our policy is to revise our backlog for order cancellations and to make adjustments to reflect, among other things, spares volume estimates and customer delivery date changes. Please refer to "Backlog" in Part I Item 1, "Business" of this 2008 Form 10-K for additional information on our backlog policy.

Revenue

	Year Ended		
	June 29, 2008	June 24, 2007	June 25, 2006
Revenue (in thousands)	$2,474,911	$ 2,566,576	$ 1,642,171
North America	17%	16%	14%
Europe	10%	9%	13%
Asia Pacific	13%	18%	12%
Taiwan	20%	22%	17%
Korea	22%	21%	22%
Japan	18%	14%	22%

The slight decrease in revenues during fiscal year 2008 from fiscal year 2007 reflects our customers' response to balancing supply and demand in the semiconductor industry. The increase in revenues during fiscal year 2007 compared to fiscal year 2006 reflected an improved market environment which was evidenced by expanded levels of capital investments by semiconductor manufacturers and our market share expansion. Our revenue levels are correlated to the amount of shipments and our installation and acceptance timelines. The overall Asia region continued to account for a significant portion of our revenues as a substantial amount of the worldwide capacity additions for semiconductor manufacturing continues to occur in that region. Our deferred revenue balance decreased to $193.6 million as of June 29, 2008 compared to $295.5 million as of June 24, 2007, consistent with the decline in customer spending levels during fiscal year 2008. The anticipated future revenue value of orders shipped from backlog to Japanese customers that are not recorded as deferred revenue was approximately $52 million as of June 29, 2008; these shipments are classified as inventory at cost until title transfers.

Gross Margin

	Year Ended		
	June 29, 2008	June 24, 2007	June 25, 2006
	(in thousands, except percentages)		
Gross Margin	$ 1,173,406	$ 1,305,054	$ 827,012
Percent of total revenue	47.4%	50.8%	50.4%

Gross margin as a percent of revenue during fiscal year 2008 was 47.4%. The decrease in gross margin as a percent of revenue for fiscal year 2008 compared with fiscal year 2007 was primarily due to decreased factory utilization as a result of reduced shipment volumes, as well as customer concentration and product mix challenges, $12.6 million of one-time restructuring and asset impairment expenses related to the streamlining of our combined clean product group, post SEZ acquisition, and $6.4 million of expense associated with the assumption of the employee tax liabilities as a result of the determinations from our voluntary independent stock option review.

The increase in gross margin as a percent of revenue during fiscal year 2007 compared with fiscal year 2006 was primarily driven by improved utilization of factory and field resources on higher business volumes partially offset by product and customer mix and implementation of a targeted consumable spare parts price-reduction strategy focused on preserving and building market share and strengthening customer trust in our efforts to support their cost-reduction roadmaps.

Research and Development

	Year Ended		
	June 29, 2008	June 24, 2007	June 25, 2006
	(in thousands, except percentages)		
Research & Development (R&D)	$323,759	$285,348	$229,378
Percent of total revenue	13.1%	11.1%	14.0%

Although there are near term pressures on our business from declining customer investment levels, given the targeted longer term benefit of our product development activities, we continue to invest significantly in research and development focused on leading-edge plasma etch, single-wafer clean, and new products and technologies. The fiscal year 2008 R&D expenses included approximately $14 million from the operations of SEZ. Including SEZ since March 11, 2008, the growth in absolute spending levels during fiscal year 2008 compared to fiscal year 2007 reflect our commitment towards our near-term and longer-term product growth objectives and included increases of approximately $22 million in salary and benefits costs for planned increases in headcount and employee base compensation supporting that same strategy, $9 million in engineering material supplies and outside services targeting etch, and new product growth objectives, and a $3 million decrease in incentive-based compensation driven by reduced profit levels. Approximately 74% and 33% of fiscal years 2008 and 2007 systems revenues, respectively, were derived from products introduced over the previous two years and is reflective of our continued investments in new products and technologies.

The growth in absolute spending levels during fiscal year 2007 compared to fiscal year 2006 included expected increases of approximately $22 million in engineering material supplies and outside services targeting etch, new and product growth objectives, $18 million in salary and benefits costs for planned increases in headcount and employee base compensation supporting that same strategy, $6 million in incentive-based compensation driven by higher profit levels and $6 million in equity-based compensation.

Selling, General and Administrative

	Year Ended		
	June 29, 2008	June 24, 2007	June 25, 2006
	(in thousands, except percentages)		
Selling, General & Administrative (SG&A)	$287,992	$241,046	$192,866
Percent of total revenue	11.6%	9.4%	11.7%

Fiscal year 2008 SG&A expenses included approximately $15 million of SEZ SG&A expenses. The increase in SG&A expenses during fiscal year 2008 compared with the prior year was driven by increases of approximately $24 million in salary and benefit costs for planned increases in headcount, including SEZ since March 11, 2008, and employee base compensation, $19 million in legal and accounting cost incurred as a result of the voluntary stock option review, and $3 million in equity-based compensation partially offset by a decrease of $5 million in incentive-based compensation triggered by lower profit levels.

The increase in SG&A expenses during fiscal year 2007 compared with the prior year was driven by increases of $20 million in incentive-based compensation triggered by higher profits and stock price, approximately $15 million in salary and benefit costs for planned increases in headcount and employee base compensation, and $5 million in equity-based compensation.

409A Expense

As a result of the determinations from the voluntary independent stock option review, we considered the application of Section 409A of the Internal Revenue Code and similar provisions of state law to certain stock option grants where, under APB No. 25, intrinsic value existed at the time of grant. In the event such stock option grants are not considered as issued at fair market value at the original grant date under the IRC, these options are subject to Section 409A and similar provisions of state law. Due to this, taxes and penalties are levied not on the intrinsic value increase, but on the entire stock option gain for exercised options. On March 30, 2008, our Board of Directors authorized us to assume the tax liability of certain employees, including our Chief Executive Officer and certain executive officers, with options subject to Section 409A and similar provisions of state law. The 409A liability totaled $50.2 million; $43.8 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. The determinations from the voluntary independent stock option review are more fully described in Note 3, "Restatement of Consolidated Financial Statements" to Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of our 2007 Form 10-K.

In Process Research and Development

We incurred a charge of $2.1 million related to the required expensing of in process research and development following our acquisition of SEZ which is reported in operating expenses during fiscal year 2008. There remains no additional in process research and development on our balance sheet.

Restructuring and Asset Impairments

During the June 2008 quarter we incurred expenses for restructuring and asset impairment charges related to the integration of SEZ and overall streamlining of our combined clean product group ("June 2008 Plan"). These charges included severance and related benefits costs, excess facilities-related costs and certain asset impairments associated with our initial product line integration road maps.

Prior to the end of the June 2008 quarter, we initiated the announced restructuring activities and management, with the proper level of authority, approved specific actions under the June 2008 Plan. 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 for facilities we 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 these items will have no future economic benefit to us and have been abandoned.

We distinguish regular operating cost management activities from restructuring activities. Accounting for restructuring 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.

We recorded net restructuring charges and asset impairments during fiscal year 2008 of approximately $19.0 million, consisting of severance and benefits for involuntarily terminated employees of $5.5 million, charges for the present value of remaining lease payments on vacated facilities of $0.9 million, and the write-off of related fixed assets of $1.9 million. We also recorded asset impairments related to initial product line integration road maps of $10.7 million. Of the total $19.0 million in charges, $12.6 million was recorded in cost of goods sold and $6.4 million was recorded in operating expenses in our fiscal year 2008 consolidated statement of operations.

As a result of the fiscal year 2008 restructuring activities, we expect annual savings, relative to the cost structure immediately preceding the activities, in total expenses of approximately $25 million. These estimated savings from the June 2008 Plan's discrete actions are primarily related to lower employee payroll, facilities, and depreciation expenses. Actual savings may vary from these forecasts, depending upon future events and circumstances.

Below is a table summarizing activity relating to the June 2008 Plan:

	Severance and Benefits	Facilities	Abandoned Fixed Assets	Inventory	Total
			(in thousands)		
June 2008 provision	$5,513	$899	$ 1,893	$ 10,671	$ 18,976
Cash payments	(927)	—	—	—	(927)
Non-cash charges	—	—	(1,893)	(10,671)	(12,564)
Balance at June 29, 2008	$4,586	$899	$ —	$ —	$ 5,485

The severance and benefits-related costs are anticipated to be utilized by the end of fiscal year 2009. The facilities balance consists primarily of lease payments on vacated buildings and is expected to be utilized by the end of fiscal year 2009.

Other Income (Expense), Net

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

	Year Ended		
	June 29, 2008	June 24, 2007	June 25, 2006
		(in thousands)	
Interest income	$ 51,194	$ 71,666	$38,189
Interest expense	(12,674)	(17,817)	(677)
Foreign exchange gains (losses)	31,070	(1,512)	(1,458)
Debt issue cost amortization	—	—	(368)
Gain on sale of other investments	—	3,000	—
Charitable contributions	(908)	(1,500)	(1,000)
Favorable legal judgment	—	15,834	—
Other, net	(1,137)	(608)	336
	$ 67,545	$ 69,063	$35,022

The decrease in interest income during fiscal year 2008 compared with the prior year is primarily due to decreases in our average balances of cash and cash equivalents, short-term investments, and restricted cash and investments throughout fiscal year 2008 and to a lesser extent, decreases in interest rate yields. The decrease in average balances was due to share repurchase activity of $1.1 billion during fiscal year 2007, of which $768.0 million was repurchased during the fourth quarter of fiscal year 2007, and the acquisition of SEZ in fiscal year 2008 in the amount of $482.6 million, net of cash acquired. The sequential increase in interest income during fiscal year 2007 compared to fiscal year 2006 was due to the combined effect of increased cash and cash equivalents, short-term securities, and restricted cash and investments balances as well as increases in interest rate yields.

The decrease in interest expense during fiscal year 2008 as compared with the prior year was due to a $100 million repayment on our long-term debt during the December and March quarters of fiscal year 2007 and a decline in interest rates. The balance of our long-term debt and capital lease obligations as of June 29, 2008 was $306.3 million. The current portion of long-term debt and capital leases was $30.2 million as of June 29, 2008. Consolidated debt and capital lease obligations increased during fiscal year 2008 as a result of the SEZ acquisition. Debt and capital lease balances related to the SEZ acquisition were $56.3 million in total with $5.2 million representing the current portion as of June 29, 2008. The debt obligations consist of various bank loans and government grants supporting operating needs and capital leases reflect building lease obligations. The increase in interest expense during fiscal year 2007 as compared with fiscal year 2006 was due to the $350 million of long-term debt entered into by our wholly-owned subsidiary on June 16, 2006 to facilitate the repatriation of foreign earnings under the American Jobs Creation Act of 2004 (AJCA). The balance of our long-term debt was $250 million as of June 24, 2007.

Included in foreign exchange gains during fiscal year 2008 are gains associated with the acquisition of SEZ of $42.7 million relating primarily to the settlement of a hedge of the Swiss franc. These acquisition-related net foreign exchange gains were partially offset by other foreign exchange losses of approximately $11.2 million during fiscal year 2008 which were primarily due to our foreign currency denominated liabilities with non-U.S. dollar functional subsidiaries where the U.S. dollar weakened against certain currencies, primarily the Euro and Taiwan dollar resulting in the foreign exchange loss. A description of our exposure to foreign currency exchange rates can be found in the Risk Factors section of this 2008 Form 10-K under the heading "Our Future Success Depends on International Sales and Management of Global Operations."

In June 2007 we recognized a gain of $3.0 million related to the sale of a private equity investment.

The favorable legal judgment of $15.8 million during fiscal year 2007 was obtained in a lawsuit filed by us alleging breach of purchase order contracts by one of our customers. The Supreme Court of California denied review of lower and appellate court judgments in favor of Lam Research during the quarter ended September 24, 2006.

Income Tax Expense

Our annual income tax expense was $137.6 million, $161.9 million, and $104.6 million in fiscal years 2008, 2007, and 2006, respectively. Our effective tax rate for fiscal years 2008, 2007, and 2006 was 23.9%, 19.1%, and 23.8%, respectively. The increase in the effective tax rate in fiscal year 2008 is primarily due to the application of certain foreign tax rulings, a decrease in the proportion of income in low tax jurisdictions, as well as the expiration of the federal research tax credit which expired on December 31, 2007. The increase was partially offset by certain discrete events resulting in a net tax benefit of $11.6 million. These discrete events included favorable adjustments for previously estimated tax liabilities upon the filing of our U.S. and certain foreign income tax returns, and the reversal of tax reserves with respect to certain transfer pricing items now settled.

The fiscal year 2007 effective tax rate was 19.1%, compared to the fiscal year 2006 effective tax rate of 23.8%, and reflects the increase in income in jurisdictions with a lower tax rate as well as certain discrete events resulting in a net tax benefit of $21.5 million. These discrete events included favorable adjustments for previously estimated tax liabilities upon the filing of our U.S. and certain foreign income tax returns, the reversal of tax reserves with respect to certain transfer pricing items now settled and an increased benefit related to the extension of the federal research credit as it pertains to our fiscal year 2006. These favorable adjustments were partially offset by an increase in tax expense related to the application of foreign tax rulings.

Deferred Income Taxes

Deferred income taxes reflect the net effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Our gross deferred tax assets, primarily comprised of reserves and accruals that are not currently deductible and tax credit carryforwards, were $173.0 million and $123.3 million at the end of fiscal years 2008 and 2007, respectively. These gross deferred tax assets were offset by deferred tax liabilities of $53.1 million and $34.2 million at the end of fiscal years 2008 and 2007, respectively, and a valuation allowance of $3.4 million at the end of fiscal year 2008. There was no such valuation allowance at the end of fiscal year 2007.

Deferred tax assets increased in fiscal year 2008 primarily due to the accrual related to the Section 409A employee liability and the deferred tax assets from the acquisition of SEZ. The increase in deferred tax liability in fiscal year 2008 was primarily due to the acquisition of SEZ.

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 current valuation allowance of $3.4 million relates to deferred tax assets acquired in the SEZ acquisition. Any subsequently recognized tax benefits associated with valuation allowances recorded in the SEZ acquisition will be recorded as an adjustment to goodwill. We evaluate the realizability of the deferred tax assets quarterly and will continue to assess the need for additional valuation allowances, if any.

FIN 48

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation Number 48, "Accounting for Income Tax Uncertainties" ("FIN 48"). FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognizing, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We adopted FIN 48 as of June 25, 2007. As a result of the adoption of FIN 48, we decreased the recorded liability for unrecognized tax benefits by approximately $26.2 million as well as reclassed approximately $64.4 million from current to non-current income taxes payable. The cumulative effect of adopting FIN 48 was a $17.6 million increase to our opening retained earnings in the first quarter of fiscal year 2008.

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.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 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 as a result of the need to make estimates about matters that are inherently uncertain.

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

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

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

Standard costs are reassessed as needed but annually at a minimum, and reflect achievable acquisition costs, generally the most recent vendor contract prices for purchased parts, currently obtainable assembly and test labor utilization levels, methods of manufacturing, and overhead for internally manufactured products. 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 our legal entities are eliminated 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. Inherent in the estimates of market value are management's forecasts related to our 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 our 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. We offer standard warranties for our systems that run generally for a period of 12 months from system acceptance. When appropriate, we record a provision for estimated warranty expenses to cost of sales for each system 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 parts and labor costs incurred in subsequent periods are charged to those established reserves on a system-by-system basis.

Actual warranty expenses are incurred 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. We do not maintain general or unspecified reserves; all warranty reserves are related to specific systems.

In addition to the provision of standard warranties, we offer customer-paid extended warranty services. Revenues for extended maintenance and warranty services with a fixed payment amount are recognized on a straight-line basis over the term of the contract. Related costs are recorded either as incurred or when related liabilities are determined to be probable and estimable.

Equity-based Compensation — Employee Stock Purchase Plan and Employee Stock Plans: We account for our employee stock purchase plan ("ESPP") and stock plans under the provisions of Statement of Financial Accounting Standards No. 123R ("SFAS No. 123R"). SFAS No. 123R requires the recognition of the fair value of equity-based compensation in net income. The fair value of our restricted stock units was calculated based upon the fair market value of Company stock at the date of grant. The fair value of our stock options and ESPP awards was estimated using a Black-Scholes option valuation model. This model requires the input of highly subjective assumptions and elections in adopting and implementing SFAS No. 123R, 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 we have elected to use the straight-line method for awards granted after the adoption of SFAS No. 123R and continue to use a graded vesting method for awards granted prior to the adoption of SFAS No. 123R.

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 require recognition in our consolidated statements of operations. As a result of the adoption of SFAS No. 123R, we 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, 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 determined under Accounting Principles Board No. 25 for income tax footnote disclosure purposes. We will track these stock award attributes separately and will only recognize these attributes through paid-in-capital in accordance with Footnote 82 of SFAS No. 123R.

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. 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.

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 provide for income taxes on the basis of annual estimated effective income tax rates. Our estimated effective income tax rate reflects our underlying profitability, the level of R&D spending, the regions where profits are recorded and the respective tax rates imposed. We carefully monitor these factors and adjust the effective income tax rate, if necessary. If actual results differ from estimates, we could be required to record an additional valuation allowance on deferred tax assets or adjust our effective income tax rate, which could have a material impact on our business, results of operations, and financial condition.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws. Our estimate for the potential outcome of any uncertain tax issue is highly judgmental. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our results of operations and financial condition.

In July 2006, the FASB issued FASB Interpretation 48, "Accounting for Income Tax Uncertainties" ("FIN 48"). FIN 48 defines the threshold for recognizing the benefits of tax return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority. The recently issued literature also provides guidance on the derecognition, measurement and classification of income tax uncertainties, along with any related interest and penalties. FIN 48 also includes guidance concerning accounting for income tax uncertainties in interim periods and increases the level of disclosures associated with any recorded income tax uncertainties. We adopted FIN 48 in the first quarter of 2008. See Note 15: "Income Taxes" in the Notes to Consolidated Financial Statements of this 2008 Form 10-K for further discussion.

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.

We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. We believe that we will ultimately recover a substantial majority of the deferred tax assets recorded on our consolidated balance sheets. However, should there be a change in our ability to recover our deferred tax assets, our tax provision would increase in the period in which we determined that the recovery was not probable.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. As a result of the implementation of FIN 48, 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.

Goodwill and Intangible Assets: We account for goodwill and other intangible assets in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", ("SFAS No. 142"). SFAS No. 142 requires that goodwill and identifiable intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

We review goodwill at least annually for impairment. Should certain events or indicators of impairment occur between annual impairment tests, we perform the impairment test of goodwill at that date. In testing for a potential impairment of goodwill, we: (1) allocate goodwill to our various 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 corporate headquarters. Furthermore, if the estimated fair value of a reporting unit is less than the carrying value, we must estimate the fair value of all identifiable assets and liabilities of that reporting unit, in a manner similar to a purchase price allocation for an acquired business. This can require independent valuations of certain internally generated and unrecognized intangible assets such as in-process research and development and developed technology. Only after this process is completed can the amount of goodwill impairment, if any, be determined.

The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis. 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 that reporting unit. Although our cash flow forecasts are based on assumptions that are consistent with our plans and estimates we are using to manage the underlying businesses, there is significant exercise of judgment involved in determining the cash flows attributable to a reporting unit over its estimated remaining useful life. In addition, we make certain judgments about allocating shared assets to the estimated balance sheets of our reporting units. We also consider our and our competitor's market capitalization on the date we perform the analysis. Changes in judgment on these assumptions and estimates could result in a goodwill impairment charge.

The value assigned to intangible assets 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, we may be required to record an impairment charge to write down the asset to its realizable value.

Recent Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation Number 48, "Accounting for Income Tax Uncertainties" ("FIN 48"). FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognizing, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We adopted FIN 48 as of June 25, 2007. As a result of the adoption of FIN 48, the Company decreased the recorded liability for unrecognized tax benefits by approximately $26.2 million, and reclassed approximately $64.4 million from current to non-current income taxes payable. The cumulative effect of adopting FIN 48 resulted in an increase to the Company's opening retained earnings in the first quarter of fiscal year 2008 of approximately $17.6 million.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements," ("SFAS No. 157"), which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS No. 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. In February 2008, the FASB issued FASB Staff Position No. 157-2 delaying the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis. We will adopt the delayed portions of SFAS No. 157 during fiscal year 2010, while all other portions of the standard will be adopted during fiscal year 2009, as required. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. Earlier adoption is permitted, provided the company has not yet issued financial statements, including interim periods, for that fiscal year. Our financial assets and liabilities impacted by SFAS No. 157 relate primarily to derivatives, short-term investments and restricted investments balances. We do not believe there will be any material impact on our financial position, results of operations and liquidity as a result of adopting the provisions of SFAS No. 157.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115" ("SFAS No. 159"). This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, provided the entity also elects to apply the provisions of SFAS No. 157. We do not believe there will be any material impact on our financial position, results of operations and liquidity as a result of adopting the provisions of SFAS No. 159.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141R"). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141R is effective as of the beginning of an entity's fiscal year that begins after December 15, 2008. We expect to adopt SFAS No. 141R in the beginning of fiscal year 2010 and are currently evaluating the potential impact, if any, of the adoption of SFAS No. 141R on our consolidated results of operations and financial condition.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements — An Amendment of ARB 51" ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for the treatment of noncontrolling interests in a subsidiary. Noncontrolling interests in a subsidiary will be reported as a component of equity in the consolidated financial statements and any retained noncontrolling equity investment upon deconsolidation of a subsidiary is initially measured at fair value. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The adoption of SFAS 160 will result in the reclassification of minority interests to stockholders' equity. We are currently assessing any further impacts of SFAS 160 on our results of operations and financial condition.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities — An Amendment of FASB Statement 133" ("SFAS 161"). SFAS 161 requires expanded and enhanced disclosure for derivative instruments, including those used in hedging activities. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. We are currently assessing the impact of the adoption of SFAS 161 on our consolidated financial statement disclosures.

In April 2008, the FASB issued FASB Staff Position Statement of Financial Accounting Standards 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP SFAS 142-3"). FSP SFAS 142-3 provides guidance with respect to estimating the useful lives of recognized intangible assets acquired on or after the effective date and requires additional disclosure related to the renewal or extension of the terms of recognized intangible assets. FSP SFAS 142-3 is effective for fiscal years and interim periods beginning after December 15, 2008. We are currently assessing the impact of the adoption of FSP SFAS 142-3 on our results of operations and financial condition.

Liquidity and Capital Resources

During fiscal year 2008 we grew our gross cash and cash equivalents, short-term investments, and restricted cash and investments balance to $1.2 billion compared with $1.0 billion at June 24, 2007. During fiscal year 2008, we generated $590.3 million in cash from operating activities. In addition, we acquired SEZ for $482.6 million, net of cash acquired, in an all cash transaction.

Cash Flows from Operating Activities

Net cash provided by operating activities of $590.3 million during fiscal year 2008 consisted of (in millions):

Net income	$439.3
Non-cash charges:	
Depreciation and amortization	54.7
Equity-based compensation	42.5
Net gain on settlement of call option	(33.8)
Restructuring charges, net	19.0
Net tax benefit on equity-based compensation plans	24.6
Deferred income taxes	(26.7)
Changes in operating asset accounts	74.0
Other	(3.3)
	$590.3

Significant changes in operating asset and liability accounts , net of amounts acquired from SEZ, included the following sources of cash: a decrease in accounts receivable of $99.9 million on lower business volumes, an increase in accrued expenses and other liabilities of $80.6 million that was primarily due to an increase in accrued compensation, including an accrual for the assumption of 409A liabilities of $50.2 million, and a decrease in inventories of $19.7 million on lower business volumes. These sources of cash were partially offset by decreases in deferred profit and accounts payable of $64.0 million and $40.1 million, respectively, on lower business volumes, and an increase in prepaid expenses and other assets of $22.0 million primarily due to an increase in income taxes receivable.

Cash Flows from Investing Activities

Net cash used for investing activities during fiscal year 2008 was $495.8 million which was primarily due to our acquisition of SEZ for $482.6 million, net of cash acquired. In addition, our capital expenditures were $76.8 million and we purchased Swiss franc call options related to the acquisition of SEZ totaling $13.5 million. These expenditures were partially offset by net sales/maturities of investments of $18.8 million, proceeds from the settlement of the call options related to the SEZ acquisition of $47.3 million and the reclassification of restricted cash of $15.5 million.

Cash Flows from Financing Activities

Net cash provided by financing activities during fiscal year 2008 was $65.8 million which was primarily due to $58.9 million of excess tax benefit on equity-based compensation plans representing the benefits of tax deductions in excess of the compensation cost recognized, $21.3 million from the issuance of our Common Stock related to employee equity-based plans, partially offset by $14.6 million in share repurchases related to shares withheld through net share settlements upon the vesting of restricted stock unit awards under our equity compensation plans.

Given the cyclical nature of the semiconductor equipment industry, we believe that maintaining sufficient liquidity reserves is important to support sustaining levels of investment in R&D and capital infrastructure. Based upon our current business outlook, our levels of cash, cash equivalents, and short-term investments at June 29, 2008 are expected to be sufficient to support our presently anticipated levels of operations, investments, debt service requirements, and capital expenditures through at least the next 12 months.

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

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 U.S. generally accepted accounting principles and include our long-term debt which is outlined in the following table and discussed 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 relating to these agreements, and our guarantees are included in the following table. The amounts in the table below exclude $109.5 million of liabilities under FIN 48 as we are unable to reasonably estimate the ultimate amount or time of settlement. See Note 15, "Income Taxes" of Notes to Consolidated Financial Statements for further discussion.

	Operating Leases	Capital Leases	Purchase Obligations	Long-term Debt and Interest Expense	Total
	(in thousands)				
Payments due by period:					
Less than 1 year	$ 12,594	$ 1,864	$142,651	$ 38,828	$195,937
1-3 years	18,533	5,936	49,311	248,337	322,117
3-5 years	12,661	4,516	31,727	13,195	62,099
Over 5 years	150,243	16,697	41,054	—	207,994
Total	$194,031	$29,013	$264,743	$300,360	$788,147

Operating Leases

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

Included in the Operating Leases Over 5 years section of the table above is $141.8 million in guaranteed residual values for lease agreements relating to certain properties at our Fremont, California campus and properties in Livermore, California.

On December 18, 2007, we entered into a series of two operating leases (the “Livermore Leases”) regarding certain improved properties in Livermore, California. On December 21, 2007, we 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 our headquarters in Fremont, California. Each of the Operating Leases is an off-balance sheet arrangement. The Operating Leases (and associated documents for each Operating Lease) were entered into by us and BNP Paribas Leasing Corporation (“BNPPLC”).

Each Livermore Lease facility has an approximately seven-year term (inclusive of an initial construction period during which BNPPLC’s and our obligations will be governed by the Construction Agreement entered into with regard to such Livermore Lease facility) ending on the first business day in January, 2015. Each New Fremont Lease has an approximately seven-year term ending on the first business day in January, 2015.

Under each Operating Lease, we may, at our discretion and with 30 days’ notice, elect to purchase the property that is the subject of the Operating Lease for an amount approximating the sum required to prepay the amount of BNPPLC’s investment in the property and any accrued but unpaid rent. Any such amount may also include an additional make-whole amount for early redemption of the outstanding investment, which will vary depending on prevailing interest rates at the time of prepayment.

We will be required, pursuant to the terms of the Operating Leases and associated documents, to maintain collateral in an aggregate of approximately $165.0 million (upon completion of the Livermore construction) in separate interest-bearing accounts and/or eligible short-term investments as security for our obligations under the Operating Leases. As of June 29, 2008, we had $129.2 million recorded as restricted cash and short-term investments in our consolidated balance sheet as collateral required under the lease agreements related to the amounts currently outstanding on the facility.

Upon expiration of the term of an Operating Lease, the property subject to that Operating Lease may be remarketed. We have guaranteed to BNPPLC that each property will have a certain minimum residual value, as set forth in the applicable Operating Lease. The aggregate guarantee made by us under the Operating Leases is no more than approximately $141.8 million (although, under certain default circumstances, the guarantee with regard to an Operating Lease may be 100% of BNPPLC’s investment in the applicable property; in the aggregate, the amounts payable under such guarantees will be no more than $165.0 million plus related indemnification or other obligations).

The lessor under the lease agreements is a substantive independent leasing company that does not have the characteristics of a variable interest entity (VIE) as defined by FASB Interpretation No. 46, “Consolidation of Variable Interest Entities” and is therefore not consolidated by us.

The remaining operating lease balances primarily relate to non-cancelable facility-related operating leases.

Capital Leases

Capital leases reflect building lease obligations assumed from our acquisition of SEZ. 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 minimum obligations at June 29, 2008 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.

Consignment inventories, which are owned by vendors but located in our storage locations and warehouses, are not reported as our inventory until title is transferred to us or our purchase obligation is determined. At June 29, 2008, vendor-owned inventories held at our locations and not reported as our inventory were $26.5 million.

Long-Term Debt

On June 16, 2006, our wholly-owned subsidiary, Lam Research International SARL ("LRI"), as borrower, entered into a $350 million Credit Agreement (the "LRI Credit Agreement"). In connection with the LRI Credit Agreement, we entered into a Guarantee Agreement (the "Guarantee Agreement") guaranteeing the obligations of LRI under the LRI Credit Agreement. The outstanding balance on the loan was repaid in full during the quarter ended March 30, 2008.

Concurrent with the repayment of the LRI Credit Agreement noted above, on March 3, 2008, we, as borrower, entered into a Credit Agreement, dated as of March 3, 2008 (the "Credit Agreement") with ABN AMRO BANK N.V (the "Agent"), as administrative agent for the lenders party to the Credit Agreement, and such lenders. Our wholly-owned domestic subsidiary entered into a guarantee for the obligations of the Company under the Credit Agreement. In connection with the Credit Agreement, the Company and its wholly-owned domestic subsidiary entered into certain collateral documents (collectively, the "Collateral Documents") including certain Security Agreements, a Pledge Agreement and other Collateral Documents to secure our obligations under the Credit Agreement. The Collateral Documents encumber certain current and future accounts receivables, inventory, equipment and related assets.

Under the Credit Agreement, we borrowed $250 million in principal amount for general corporate purposes. The loan under the Credit Agreement is a non-revolving term loan with the following repayment terms: (a) $12.5 million of the principal amount due on each of (i) September 30, 2008, (ii) March 31, 2009 and (iii) September 30, 2009 and (b) the payment of the remaining principal amount on March 6, 2010. The outstanding principal amount bears interest at LIBOR plus 0.75% per annum or, alternatively, at the Agent's "prime rate." We may prepay the loan under the Credit Agreement in whole or in part at any time without penalty. The Credit Agreement contains customary representations, warranties, affirmative covenants and events of default, as well as various negative covenants (including maximum leverage ratio, minimum liquidity and minimum EBITDA).

As a condition to funding under the Credit Agreement, the outstanding balance ($250 million) under the LRI Credit Agreement was repaid in full. LRI is our wholly-owned subsidiary. In addition, the Guarantee Agreement was also terminated. Our obligations under the Guarantee Agreement were fully collateralized by cash and cash equivalents.

Consolidated debt obligations increased slightly as a result of the SEZ acquisition by $34.8 million of which $4.6 million represents the current portion of long-term debt and $30.2 million is classified as long-term debt on the consolidated balance sheet. The debt obligations consist of various bank loans and government grants supporting operating needs.

Our total long-term debt of $284.8 million as of June 29, 2008 includes the $250.0 million discussed above and $34.8 million from SEZ. The current portion of long-term debt was $29.6 million as of June 29, 2008.

Guarantees

We account for our guarantees in accordance with FASB Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires a company that is a guarantor to make specific disclosures about its obligations under certain guarantees that it has issued. FIN 45 also requires a company (the guarantor) to recognize, at the inception of a guarantee, a liability for the obligations it has undertaken in issuing the guarantee.

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 which may limit our exposure to such indemnifications. As of June 29, 2008, we have not recorded any liability on our consolidated financial statements in connection with these indemnifications, as we do not believe, based on information available, that it is probable that any amounts will be paid under these guarantees.

Generally, 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.

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

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

Investments

We maintain an investment portfolio of various holdings, types, and maturities. As of June 29, 2008, these securities are classified as available-for-sale and consequently are recorded in the Consolidated Balance Sheets at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income, net of tax.

Fixed Income Securities

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio and variable rate long-term debt. 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, and reinvestment risk. The following table presents the hypothetical fair values of fixed income securities as a result of selected potential market 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 29,2008 are as follows:

	Valuation of Securities Given an Interest Rate Decrease of X Basis Points			Fair Value as of June 29, 2008	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	$150,712	$149,525	$148,341	$147,157	$145,974	$144,790	$143,605
U.S. Treasury and Agencies	40,064	39,841	39,617	39,393	39,169	38,945	38,721
Government-Sponsored Enterprises	21,744	21,539	21,333	21,127	20,921	20,715	20,509
Bank and Corporate Notes	263,750	262,929	262,108	261,288	260,467	259,646	258,825
Total	$476,270	$473,834	$471,399	$468,965	$466,531	$464,096	$461,660

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

Publicly Traded Equity Securities and Equity Mutual Funds

The values of our equity investments in publicly traded equity securities and equity mutual funds are subject to equity price risk. The following table presents the hypothetical fair values of our publicly traded equity security and equity mutual funds as a result of selected potential decreases and increases in the price of each equity security in the portfolio. Potential fluctuations in the price of each equity security in the portfolio of plus or minus 10%, 15%, 25% were selected based on potential near-term changes in those security prices. The hypothetical fair values as of June 29, 2008 are as follows:

	Valuation of Securities Given an X% Decrease in Stock Price			Fair Value as of June 29, 2008	Valuation of Securities Given an X% Increase in Stock Price		
	(25%)	(15%)	(10%)	0.00%	10%	15%	25%
				(in thousands)			
Equity Mutual Funds	$ 2,481	$2,812	$2,977	$3,306	$3,637	$3,802	$4,133
Publicly Traded Equity Securities	$ 2,542	$2,881	$3,050	$3,389	$3,728	$3,897	$4,236

Foreign Currency Derivatives

We conduct business on a global basis in several major international currencies. As such, we are potentially exposed to adverse as well as beneficial movements in foreign currency exchange rates. The majority of our sales and expenses are denominated in U.S. dollars except for certain of our revenues that are denominated in Japanese yen, certain revenues and expenses denominated in the Euro, certain of our spares and service contracts which are denominated in various currencies, and expenses related to our non-U.S. sales and support offices which are denominated in these countries' local currency. We currently enter into foreign currency forward contracts to minimize the short-term impact of the exchange rate fluctuations on Japanese yen-denominated net assets and forecasted Japanese yen-denominated revenue and also on U.S. dollar-denominated assets where the Euro is the functional currency. We currently believe these are our primary exposures to currency rate fluctuation. To protect against the reduction in value of forecasted Japanese yen-denominated revenues, we enter into foreign currency forward exchange rate contracts that generally expire within 12 months, and no later than 24 months. These foreign currency forward exchange rate contracts are designated as cash flow hedges and are carried on our balance sheet at fair value with the effective portion of the contracts' gains or losses included in accumulated other comprehensive income (loss) and subsequently recognized in earnings in the same period the hedged revenue is recognized. We also enter into foreign currency forward contracts to hedge the gains and losses generated by the remeasurement of Japanese yen-denominated net receivable balances against the U.S. dollar and U.S. dollar-denominated net receivable balances against the Euro. The change in fair value of these balance sheet hedge contracts is recorded into earnings as a component of other income and expense and offsets the change in fair value of the foreign currency denominated intercompany and trade receivables, recorded in other income and expense, assuming the hedge contract fully covers the intercompany and trade receivable balances.

The notional amount and unrealized loss of our outstanding foreign currency forward contracts that are designated as balance sheet hedges as of June 29, 2008 is 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 +/- 10 percent and +/- 15 percent. These changes in fair values would be offset in other income and expense by corresponding change in fair values of the foreign currency denominated intercompany and trade receivables assuming the hedge contract fully covers the intercompany and trade receivable balances.

	Notional Amount	Unrealized Gain/(Loss) as of June 29, 2008	FX Contract Change in Fair Value Given an X% Increase (+) / Decrease (-) in Each FX Rate			
			+/-	10%	+/-	15%
			(in millions)			
Balance sheet hedge forward contracts sold	$80.1	$(0.8)	+/-	$7.4	+/-	$11.2

The notional amount and unrealized gain of our outstanding forward contracts that are designated as cash flow hedges as of June 29, 2008 is 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 +/- 10 percent and +/- 15 percent.

	Notional Amount	Unrealized Gain/(Loss) as of June 29, 2008	FX Contract Change in Fair Value Given an X% Increase (+) / Decrease (-) in Each FX Rate			
			+/-	10%	+/-	15%
			(in millions)			
Cash flow hedge forward contracts sold	$107.7	$5.9	+/-	$10.8	+/-	$16.2

Long-Term Debt

Our long-term debt consists of $250 million in a non-revolving term loan with the following repayment terms: (a) $12.5 million of the principal amount due on each of (i) September 30, 2008, (ii) March 31, 2009 and (iii) September 30, 2009 and (b) the payment of the remaining principal amount on March 6, 2010. The outstanding principal amount bears interest at LIBOR plus 0.75% per annum or, alternatively, at the Agent's "prime rate." We may prepay the loan under the Credit Agreement in whole or in part at any time without penalty. At any time a sharp increase in interest rates could have a material adverse effect on interest expense and a material favorable effect on interest expense with a sharp decline in interest rates.

A hypothetical change in interest rates on our variable rate long-term debt of 50 basis points would result in a change in interest expense of approximately $1.3 million per fiscal year.

In addition, our long-term debt includes $3.8 million of variable rate debt based on local LIBOR rates plus a spread of 0.50% and is subject to adverse as well as beneficial changes in interest expense due to fluctuation in interest rates.

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 herein by reference under Item 6, "Selected Financial Data".

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 29, 2008, 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 along with our Chief Financial Officer, 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

SEZ Acquisition. As a result of our acquisition of SEZ during the quarter ended March 30, 2008, our internal control over financial reporting now includes the controls of SEZ.

Except as disclosed above, 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 such 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 29, 2008 at providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of the operations acquired from SEZ, which was acquired on March 11, 2008. As allowed pursuant to guidance from the Securities and Exchange Commission, the evaluation of internal control over financial reporting of SEZ may be excluded. As of and for the year ended June 29, 2008 total assets and revenue of SEZ represented 27% (including goodwill and intangible assets) and 2% (from the March 11, 2008 acquisition date) of consolidated total assets and revenue, respectively.

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 2008 Form 10-K.

Effectiveness of Controls

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

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

None.

PART III

We have omitted from the Report 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 to be held November 6, 2008 (the "Proxy Statement"), and certain information included therein is incorporated by reference. (However, the Reports of the Audit Committee and Compensation Committee in the Registrant's Proxy Statement are expressly not incorporated by reference herein.) For information regarding our executive officers, see Part I of this Form 10-K under the caption "Executive Officers of the Company", which information is incorporated herein by this reference.

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

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 officers, directors and 10% shareholders of us 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."

Lam has adopted a 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 www.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 such legal requirements, we intend to make such 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", "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) 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 81 of this 2008 Form 10-K and is incorporated herein by this reference.

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

	June 29, 2008	June 24, 2007
ASSETS		
Cash and cash equivalents	$ 732,537	$ 573,967
Short-term investments	326,199	96,724
Accounts receivable, less allowance for doubtful accounts of $4,102 as of June 29, 2008 and $3,851 as of June 24, 2007	412,356	410,013
Inventories	282,218	235,431
Deferred income taxes	96,748	61,727
Prepaid expenses and other current assets	67,649	38,499
Total current assets	1,917,707	1,416,361
Property and equipment, net	235,735	113,725
Restricted cash and investments	146,072	360,038
Deferred income taxes	19,793	27,414
Goodwill	281,298	59,741
Intangible assets, net	121,889	70,909
Other assets	84,261	53,417
Total assets	$ 2,806,755	$ 2,101,605
LIABILITIES AND STOCKHOLDERS' EQUITY		
Trade accounts payable	$ 89,158	$ 117,617
Accrued expenses and other current liabilities	390,062	364,296
Deferred profit	128,250	190,885
Current portion of long-term debt and capital leases	30,209	—
Total current liabilities	637,679	672,798
Long-term debt and capital leases	276,121	250,000
Income taxes payable	85,611	—
Other long-term liabilities	23,400	2,487
Total liabilities	1,022,811	925,285
Minority interests	5,347	—
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, at par value of $0.001 per share; authorized — 5,000 shares, none outstanding	—	—
Common stock, at par value of $0.001 per share; authorized — 400,000 shares; issued and outstanding — 125,187 shares at June 29, 2008 and 123,535 shares at June 24, 2007	125	124
Additional paid-in capital	1,332,159	1,194,215
Treasury stock, at cost, 34,220 shares at June 29, 2008 and 34,168 shares at June 24, 2007	(1,490,701)	(1,483,169)
Accumulated other comprehensive income (loss)	10,620	(4,302)
Retained earnings	1,926,394	1,469,452
Total stockholders' equity	1,778,597	1,176,320
Total liabilities and stockholders' equity	$ 2,806,755	$ 2,101,605

See Notes to Consolidated Financial Statements

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

	YEAR ENDED		
	June 29, 2008	June 24, 2007	June 25, 2006
Total revenue	$2,474,911	$2,566,576	$1,642,171
Cost of goods sold	1,282,494	1,261,522	815,159
Cost of goods sold — restructuring and asset impairments	12,610	—	—
Cost of goods sold - 409A expense	6,401	—	—
Total costs of goods sold	1,301,505	1,261,522	815,159
Gross margin	1,173,406	1,305,054	827,012
Research and development	323,759	285,348	229,378
Selling, general and administrative	287,992	241,046	192,866
409A expense	43,784	—	—
Restructuring and asset impairments	6,366	—	—
In-process research and development	2,074	—	—
Total operating expenses	663,975	526,394	422,244
Operating income	509,431	778,660	404,768
Other income (expense), net:			
Interest income	51,194	71,666	38,189
Interest expense	(12,674)	(17,817)	(677)
Foreign exchange gains (losses)	31,070	(1,512)	(1,458)
Favorable legal judgment	—	15,834	—
Other, net	(2,045)	892	(1,032)
Income before income taxes	576,976	847,723	439,790
Income tax expense	137,627	161,907	104,580
Net income	$ 439,349	$ 685,816	$ 335,210
Net income per share:			
Basic net income per share	$ 3.52	$ 4.94	$ 2.42
Diluted net income per share	$ 3.47	$ 4.85	$ 2.33
Number of shares used in per share calculations:			
Basic	124,647	138,714	138,581
Diluted	126,504	141,524	143,759

See Notes to Consolidated Financial Statements

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

	YEAR ENDED		
	June 29, 2008	**June 24, 2007**	**June 25, 2006**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 439,349	$ 685,816	$ 335,210
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	54,704	38,097	22,000
Deferred income taxes	(26,661)	17,055	37,222
Restructuring charges, net	18,976	—	—
Equity-based compensation expense	42,516	35,554	23,993
Income tax benefit on equity-based compensation plans	83,472	62,437	17,338
Excess tax benefit on equity-based compensation plans	(58,904)	(44,990)	(11,110)
Net gain on settlement of call option	(33,839)	—	—
Other, net	(3,319)	625	2,357
Changes in operating asset accounts:			
Accounts receivable, net of allowance	99,887	(513)	(178,542)
Inventories	19,684	(56,336)	(59,038)
Prepaid expenses and other assets	(21,972)	(19,180)	(9,270)
Trade accounts payable	(40,125)	9,055	48,341
Deferred profit	(64,007)	51,112	50,675
Accrued expenses and other liabilities	80,558	44,827	88,206
Net cash provided by operating activities	590,319	823,559	367,382
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures and intangible assets	(76,803)	(59,968)	(42,080)
Acquisitions of businesses, net of cash acquired	(482,574)	(181,108)	—
Sales of other investments	—	3,000	—
Purchases of available-for-sale securities	(310,873)	(1,058,081)	(129,464)
Sales and maturities of available-for-sale securities	329,695	1,103,311	312,252
Purchase of call option	(13,506)	—	—
Proceeds from settlement of call option	47,345	—	—
Purchase of other investments	(4,560)	—	—
Transfer of restricted cash and investments	15,471	110,000	(385,000)
Net cash used for investing activities	(495,805)	(82,846)	(244,292)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on long-term debt and capital lease obligations	(251,714)	(100,171)	(112)
Net proceeds from issuance of long-term debt	251,915	—	349,632
Excess tax benefit on equity-based compensation plans	58,904	44,990	11,110
Treasury stock purchases	(14,552)	(1,083,745)	(251,211)
Reissuances of treasury stock	8,563	18,123	15,171
Proceeds from issuance of common stock	12,694	42,468	179,400
Net cash provided by / (used for) financing activities	65,810	(1,078,335)	303,990
Effect of exchange rate changes on cash	(1,754)	774	1,485
Net increase (decrease) in cash and cash equivalents	158,570	(336,848)	428,565
Cash and cash equivalents at beginning of year	573,967	910,815	482,250
Cash and cash equivalents at end of year	$ 732,537	$ 573,967	$ 910,815
Schedule of noncash transactions			
Acquisition of leased equipment	$ —	$ —	$ 1,088
Supplemental disclosures:			
Cash payments for interest	$ 10,900	$ 17,700	$ 531
Cash payments for income taxes	$ 74,243	$ 53,508	$ 11,873

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	DEFERRED STOCK-BASED COMPENSATION	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	TOTAL
Balance at June 26, 2005	137,313	$137	$ 833,723	$ (186,064)	$(2,593)	$(10,789)	$ 454,865	$ 1,089,279
Sale of common stock	9,914	10	179,390	—	—	—	—	179,400
Purchase of treasury stock	(6,979)	(6)		(251,205)	—	—	—	(251,211)
Income tax benefit on equity-based compensation plans	—	—	17,338	—	—	—	—	17,338
Reissuance of treasury stock	658	1	—	20,822	—	—	(5,652)	15,171
Equity-based compensation expense	—	—	23,993	—	—	—	—	23,993
Deferred compensation adjustment	—	—	(2,593)	—	2,593	—	—	—
Exercise of warrant	879	—	—	—	—	—	—	—
Components of comprehensive income:								
Net income	—	—	—	—	—	—	335,210	335,210
Foreign currency translation adjustment	—	—	—	—	—	2,061	—	2,061
Unrealized gain on fair value of derivative financial instruments, net	—	—	—	—	—	6,200	—	6,200
Unrealized loss on financial instruments, net	—	—	—	—	—	(916)	—	(916)
Less: reclassification adjustment for gains included in earnings	—	—	—	—	—	(7,761)	—	(7,761)
Total comprehensive income								334,794
Balance at June 25, 2006	41,785	$142	$1,051,851	$ (416,447)	$ —	$(11,205)	$ 784,423	$ 1,408,764
Sale of common stock	,388	2	42,466	—	—	—	—	42,468
Purchase of treasury stock	(21,202)	(21)	—	(1,083,724)	—	—	—	(1,083,745)
Income tax benefit on equity-based compensation plans	—	—	62,437	—	—	—	—	62,437
Reissuance of treasury stock	64	1	1,907	17,002	—	—	(787)	18,123
Equity-based compensation expense	—	—	35,554	—	—	—	—	35,554
Components of comprehensive income:								
Net income		—	—	—	—	—	685,816	685,816
Foreign currency translation adjustment		—	—	—	—	1,755	—	1,755
Unrealized gain on fair value of derivative financial instruments, net		—	—	—	—	5,355	—	5,355
Unrealized gain on financial instruments, net		—	—	—	—	82	—	82
Less: reclassification adjustment for losses included in earnings		—	—	—	—	505	—	505
Total comprehensive income		—	—	—	—	—	—	693,513
Adjustment to initially apply SFAS No. 158	—	—	—	—	—	(794)	—	(794)

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

	COMMON STOCK SHARES	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL,	TREASURY STOCK	DEFERRED STOCK-BASED COMPENSATION	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	TOTAL
Balance at June 24, 2007	23,535	$124	$1,194,215	$(1,483,169)	$ —	$ (4,302)	$1,469,452	$ 1,176,320
Sale of common stock	1,703	1	12,695	—	—	—	—	12,696
Purchase of treasury stock	(287)	—	—	(14,552)	—	—	—	(14,552)
Tender offer	—	—	(2,282)	—	—	—	—	(2,282)
Income tax benefit on equity-based compensation plans	—	—	74,865	—	—	—	—	74,865
Reissuance of treasury stock	236	—	1,543	7,020	—	—	—	8,563
Equity-based compensation expense	—	—	42,516	—	—	—	—	42,516
Adoption of FIN 48	—	—	8,607	—	—	—	17,593	26,200
Components of comprehensive income:								
Net income	—	—	—	—	—	—	439,349	439,349
Foreign currency translation adjustment	—	—	—	—	—	12,557	—	12,557
Unrealized gain on fair value of derivative financial instruments, net	—	—	—	—	—	398	—	398
Unrealized gain on financial instruments, net	—	—	—	—	—	2,787	—	2,787
Less: reclassification adjustment for gains included in earnings	—	—	—	—	—	(461)	—	(461)
SFAS No. 158 adjustment						(359)		(359)
Total comprehensive income	—	—	—	—	—	—	—	454,271
Balance at June 29, 2008	125,187	$125	$1,332,159	$(1,490,701)	$ —	$ 10,620	$1,926,394	$ 1,778,597

See Notes to Consolidated Financial Statements

Note 1: Company and Industry Information

The Company designs, manufactures, markets, 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 these areas to develop integrated processing solutions which typically benefit its customers through reduced cost, lower defect rates, enhanced yields, or faster processing time. The Company sells its products and services primarily to companies involved in the production of semiconductors in the United States, Europe, Taiwan, Korea, Japan, and Asia Pacific.

The semiconductor industry is cyclical in nature and has historically experienced periodic downturns and upturns. Today's leading indicators of changes in customer investment patterns may not be any more reliable than in prior years. Demand for the Company's equipment can vary significantly from period to period as a result of various factors, including, but not limited to, economic conditions, supply, demand, and prices for semiconductors, customer capacity requirements, and the Company's ability to develop and market competitive products. For these and other reasons, the Company's results of operations for fiscal years 2008, 2007, and 2006 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 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 believed to be applicable, and evaluates them on an on-going basis to ensure they remain reasonable under current conditions. Actual results could differ significantly from those estimates.

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

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

Standard costs are reassessed as needed, but annually at a minimum, and reflect achievable acquisition costs, generally the most recent vendor contract prices for purchased parts, currently obtainable assembly and test labor utilization levels, methods of manufacturing, and overhead for internally manufactured products. 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 our legal entities are eliminated from the Company's 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. Inherent in the estimates of market value are management's forecasts related to its 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.

The Company records shipping and handling costs in cost of goods sold in its consolidated statements of operations.

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 offers standard warranties for its systems that run generally for a period of 12 months from system acceptance. When appropriate, the Company records a provision for estimated warranty expenses to cost of sales for each system upon revenue recognition. The 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 parts and labor costs incurred in subsequent periods are charged to those established reserves on a system-by-system basis.

Actual warranty expenses are incurred 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. The Company does not maintain general or unspecified reserves; all warranty reserves are related to specific systems.

In addition to the provision of standard warranties, the Company offers customer-paid extended warranty services. Revenues for extended maintenance and warranty services with a fixed payment amount are recognized on a straight-line basis over the term of the contract. Related costs are recorded either as incurred or when related liabilities are determined to be probable and estimable.

Equity-based Compensation — Employee Stock Purchase Plan and Employee Stock Plans: The Company accounts for its employee stock purchase plan ("ESPP") and stock plans under the provisions of Statement of Financial Accounting Standards No. 123R ("SFAS No. 123R"). SFAS No. 123R requires the recognition of the fair value of equity-based compensation in net income. The fair value of our restricted stock units was calculated based upon the fair market value of Company stock at the date of grant. The fair value of our stock options and ESPP awards was estimated using a Black-Scholes option valuation model. This model requires the input of highly subjective assumptions and elections in adopting and implementing SFAS No. 123R, 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 we have elected to use the straight-line method for awards granted after the adoption of SFAS No. 123R and continue to use a graded vesting method for awards granted prior to the adoption of SFAS No. 123R.

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. As a result of the adoption of SFAS No. 123R, 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 the Company have been utilized. In addition, the Company has elected to account for the indirect benefits of stock-based compensation on the research tax credit through the income statement (continuing operations) rather than through paid-in-capital. The Company has also elected to net deferred tax assets and the associated valuation allowance related to net operating loss and tax credit carryforwards for the accumulated stock award tax benefits determined under Accounting Principles Board No. 25 for income tax footnote disclosure purposes. The Company will track these stock award attributes separately and will only recognize these attributes through paid-in-capital in accordance with Footnote 82 of SFAS No. 123R.

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. 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 this 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 determines 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.

The Company provides for income taxes on the basis of annual estimated effective income tax rates. The Company's estimated effective income tax rate reflects the underlying profitability of the Company, the level of R&D spending, the regions where profits are recorded and the respective tax rates imposed. The Company carefully monitors these factors and adjusts the effective income tax rate, if necessary. If actual results differ from estimates, the Company could be required to record an additional valuation allowance on deferred tax assets or adjust its effective income tax rate, which could have a material impact on its business, results of operations, and financial condition.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws. The Company's estimate for the potential outcome of any uncertain tax issue is highly judgmental. Resolution of these uncertainties in a manner inconsistent with the Company's expectations could have a material impact on its results of operations and financial condition.

In July 2006, the FASB issued FASB Interpretation 48, "Accounting for Income Tax Uncertainties" ("FIN 48"). FIN 48 defines the threshold for recognizing the benefits of tax return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority. The recently issued literature also provides guidance on the derecognition, measurement and classification of income tax uncertainties, along with any related interest and penalties. FIN 48 also includes guidance concerning accounting for income tax uncertainties in interim periods and increases the level of disclosures associated with any recorded income tax uncertainties. The Company adopted FIN 48 in the first quarter of 2008. See Note 15: "Income Taxes" in the Notes to Consolidated Financial Statements of this 2008 Form 10-K for further discussion.

The Company 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 the Company's tax provision in a subsequent period.

The Company must assess the likelihood that it will be able to recover its deferred tax assets. If recovery is not likely, the Company must increase its provision for taxes by recording a valuation allowance against the deferred tax assets that it estimates will not ultimately be recoverable. The Company believes that it will ultimately recover a substantial majority of the deferred tax assets recorded on its consolidated balance sheets. However, should there be a change in the Company's ability to recover its deferred tax assets, the Company's tax provision would increase in the period in which it determined that the recovery was not probable.

In addition, the calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations. As a result of the implementation of FIN 48, the Company recognizes liabilities for uncertain tax positions based on the two-step process prescribed within the interpretation. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as this requires the Company 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.

Goodwill and Intangible Assets: The Company accounts for goodwill and other intangible assets in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", ("SFAS No. 142"). SFAS No. 142 requires that goodwill and identifiable intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

The Company reviews goodwill at least annually for impairment. Should certain events or indicators of impairment occur between annual impairment tests, the Company performs the impairment test of goodwill at that date. In testing for a potential impairment of goodwill, the Company: (1) allocates goodwill to its various 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 corporate headquarters. 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. 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 that reporting unit. Although the Company's cash flow forecasts are based on assumptions that are consistent with its plans and estimates it is using to manage the underlying businesses, there is significant exercise of judgment involved in determining the cash flows attributable to a reporting unit over its estimated remaining useful life. In addition, the Company makes certain judgments about allocating shared assets to the estimated balance sheets of its reporting units. The Company also considers the Company's and its competitor's market capitalization on the date it performs the analysis. Changes in judgment on these assumptions and estimates could result in a goodwill impairment charge.

The value assigned to intangible assets 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 29, 2008 and included 53 weeks. The fiscal years ended June 24, 2007 and June 25, 2006 included 52 weeks. The Company's next fiscal year, ending on June 28, 2009, will include 52 weeks.

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

Cash Equivalents and Short-Term Investments: All investments purchased with an original final maturity of three months or less are considered to be cash equivalents. All of the Company's 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. The investments classified as available-for-sale are recorded at fair value based upon quoted market prices, and any material temporary difference between the cost and fair value of an investment is presented as a separate component of accumulated other comprehensive income (loss.) Unrealized losses 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. There was an impairment charge of approximately $1 million recorded in fiscal year 2008. There were no impairment charges recorded on the Company's investment portfolio in fiscal years 2007 or 2006. The specific identification method is used to determine the realized gains and losses on investments.

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. 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 amortized by the straight-line method over the shorter of the life of the related asset or the term of the underlying lease. Amortization of capital leases is included with depreciation expense.

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

Derivative Financial Instruments: The Company carries derivative financial instruments (derivatives) on the balance sheet at their fair values in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133) and Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS No. 149"). The Company has a policy that allows the use of derivative financial instruments, specifically foreign currency forward exchange rate contracts, to hedge foreign currency exchange rate fluctuations on forecasted revenue transactions denominated in Japanese yen and other foreign currency denominated assets. The Company does not use derivatives for trading or speculative purposes.

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. To protect against the reduction in value of forecasted Japanese yen-denominated revenues, the Company has instituted a foreign currency cash flow hedging program. The Company enters into foreign currency forward exchange rate contracts that generally expire within 12 months, and no later than 24 months. These foreign currency forward exchange 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.

Each period, hedges are tested for effectiveness using regression testing. Changes in the fair value of currency forwards due to changes in time value are excluded from the assessment of effectiveness and are recognized in revenue in the current period. To qualify for hedge accounting, the hedge relationship must meet criteria relating both to the derivative instrument and the hedged item. These include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows will be measured.

To receive hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge and the hedges must be highly effective in offsetting changes to future cash flows on hedged transactions. When derivative instruments are designated and qualify as effective cash flow hedges, the Company is able to defer 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 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 would occur, the Company may not be able to account for its investments in 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 without the benefits of offsets or deferrals of changes in fair value arising from hedge accounting treatment.

The Company also enters into foreign currency forward exchange rate contracts to hedge the gains and losses generated by the remeasurement of Japanese yen-denominated net receivable balances against the U.S. dollar, U.S. dollar net receivable balances against the Euro, and Japanese net receivable balances against the Euro. Under SFAS No. 133 and SFAS No. 149, these forward contracts are not designated for hedge accounting treatment. Therefore, the change in fair value of these derivatives is recorded into earnings as a component of other income and expense and offsets the change in fair value of the foreign currency denominated intercompany and trade receivables, recorded in other income and expense, assuming the hedge contract fully covers the intercompany and trade receivable balances.

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 revenues 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 revenues are hedged and designated as cash flow hedges to protect the Company from exposures to fluctuations in foreign currency exchange rates. In the event 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.

The Company does not believe that it is or was exposed to more than a nominal amount of credit risk in its interest rate and foreign currency hedges, as counterparties are established and well-capitalized financial institutions. The Company's exposures are in liquid currencies (Japanese yen and Euro), so there is minimal risk that appropriate derivatives to maintain the Company's hedging program would not be available in the future.

Guarantees: The Company accounts for guarantees in accordance with FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34" (FIN No.

45). Accordingly, the Company evaluates its guarantees to determine whether (a) the guarantee is specifically excluded from the scope of FIN No. 45, (b) the guarantee is subject to FIN No. 45 disclosure requirements only, but not subject to the initial recognition and measurement provisions, or (c) the guarantee is required to be recorded in the financial statements at fair value. The Company has recorded a liability for certain guaranteed residual values related to specific facility lease agreements. The Company has evaluated its remaining guarantees and has concluded that they are either not within the scope of FIN No. 45 or do not require recognition in the financial statements. These guarantees generally include certain indemnifications to its lessors under operating lease agreements for environmental matters, potential overdraft protection obligations to financial institutions related to one of the Company's subsidiaries, indemnifications to the Company's customers for certain infringement of third-party intellectual property rights by its products and services, and the Company's warranty obligations under sales of its products. Please see Note 14 for additional information on the Company's guarantees.

Foreign Currency Translation: The Company's non-U.S. subsidiaries that operate in a local currency environment, where that local currency is the functional currency, primarily generate and expend cash in their local currency. Billings and receipts for their labor and services are primarily denominated in the local currency and the workforce is paid in local currency. Their individual assets and liabilities are primarily denominated in the local foreign currency and do not materially impact the Company's cash flows. Accordingly, all balance sheet accounts of these local functional currency subsidiaries are translated at the fiscal period-end exchange rate, and income and expense accounts are translated using average rates in effect for the period, except for costs related to those balance sheet items that are translated using historical exchange rates. The resulting translation adjustments are recorded as cumulative translation adjustments, and are a component of accumulated other comprehensive income (loss). Translation adjustments are recorded in other income (expense), net, where the U.S. dollar is the functional currency.

Reclassifications: Certain amounts presented in the comparative financial statements for prior years have been reclassified to conform to the fiscal year 2008 presentation.

Note 3: Recent Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation Number 48, "Accounting for Income Tax Uncertainties" ("FIN 48"). FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognizing, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company adopted FIN 48 as of June 25, 2007. As a result of the adoption of FIN 48, the Company decreased the recorded liability for unrecognized tax benefits by approximately $26.2 million, and reclassed approximately $64.4 million from current to non-current income taxes payable. The cumulative effect of adopting FIN 48 resulted in an increase to the Company's opening retained earnings in the first quarter of fiscal year 2008 of approximately $17.6 million.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements," ("SFAS No. 157"), which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS No. 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. In February 2008, the FASB issued FASB Staff Position No. 157-2 delaying the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis. The Company will adopt the delayed portions of SFAS No. 157 during fiscal year 2010, while all other portions of the standard will be adopted during fiscal year 2009, as required. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. Earlier adoption is permitted, provided the company has not yet issued financial statements, including interim periods, for that fiscal year. The Company's financial assets and liabilities impacted by SFAS No. 157 relate primarily to derivatives, short-term investments and restricted investments balances. The Company does not believe there will be any material impact on its financial position, results of operations and liquidity as a result of adopting the provisions of SFAS No. 157.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115" ("SFAS No. 159"). This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, provided the entity also elects to apply the provisions of SFAS No. 157. The Company does not believe there will be any material impact on our financial position, results of operations and liquidity as a result of adopting the provisions of SFAS No. 159.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141R"). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141R is effective as of the beginning of an entity's fiscal year that begins after December 15, 2008. The Company expects to adopt SFAS No. 141R in the beginning of fiscal year 2010 and is currently evaluating the potential impact, if any, of the adoption of SFAS No. 141R on its consolidated results of operations and financial condition.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements — An Amendment of ARB 51" ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for the treatment of noncontrolling interests in a subsidiary. Noncontrolling interests in a subsidiary will be reported as a component of equity in the consolidated financial statements and any retained noncontrolling equity investment upon deconsolidation of a subsidiary is initially measured at fair value. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The adoption of SFAS 160 will result in the reclassification of minority interests to stockholders' equity. The Company is currently assessing any further impacts of SFAS 160 on its results of operations and financial condition.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities — An Amendment of FASB Statement 133" ("SFAS 161"). SFAS 161 requires expanded and enhanced disclosure for derivative instruments, including those used in hedging activities. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The Company is currently assessing the impact of the adoption of SFAS 161 on its consolidated financial statement disclosures.

In April 2008, the FASB issued FASB Staff Position Statement of Financial Accounting Standards 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP SFAS 142-3"). FSP SFAS 142-3 provides guidance with respect to estimating the useful lives of recognized intangible assets acquired on or after the effective date and requires additional disclosure related to the renewal or extension of the terms of recognized intangible assets. FSP SFAS 142-3 is effective for fiscal years and interim periods beginning after December 15, 2008. The Company currently assessing the impact of the adoption of FSP SFAS 142-3 on its results of operations and financial condition.

Note 4: Financial Instruments

The Company's primary financial instruments include its cash and 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 value of long-term debt and capital lease obligations approximates its carrying value as the substantial majority of these obligations have interest rates which adjust to market rates on a periodic basis. The fair value of cash and 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

Investments at June 29, 2008 and June 24, 2007 consist of the following:

	June 29, 2008				June 24, 2007			
	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value
Available for Sale:								
Cash and Cash Equivalents:								
Cash	$ 91,958	$ —	$ —	$ 91,958	$ 44,000	$ —	$ —	$ 44,000
Fixed Income Money Market Funds	538,819	—	—	538,819	529,967	—	—	529,967
Bank and Corporate Notes (Time Deposits)	101,760	—	—	101,760	—	—	—	—
Total Cash and Cash Equivalents	**732,537**	**—**	**—**	**732,537**	**573,967**	**—**	**—**	**573,967**
Short Term Investments and Restricted Cash and Investments:								
Municipal Notes and Bonds	146,877	693	(413)	147,157	227,587	25	(884)	226,728
US Treasury & Agencies	39,317	147	(71)	39,393	2,990	—	(88)	2,902
Government-Sponsored Enterprises	21,078	133	(84)	21,127	21,518	2	(164)	21,356
Bank and Corporate Notes	261,440	530	(682)	261,288	206,746	43	(1,013)	205,776
Equity Mutual Funds	3,301	29	(24)	3,306	—	—	—	—
Total Short Term Investments and Restricted Cash and Investments	**472,013**	**1,532**	**(1,274)**	**472,271**	**458,841**	**70**	**(2,149)**	**456,762**
Total cash, cash equivalents, short-term investments, and restricted cash and investments	**$ 1,204,550**	**$ 1,532**	**$(1,274)**	**$1,204,808**	**$1,032,808**	**$ 70**	**$(2,149)**	**$1,030,729**
Long Term Investments:								
Publicly traded equity securities	**$ 4,827**	**$ —**	**$(1,438)**	**$ 3,389**	**$ —**	**$ —**	**$ —**	**$ —**

The Company accounts for its investment portfolio at fair value. Realized gains and (losses) from investments sold were approximately $3.3 million and $(1.3) million in fiscal year 2008 and approximately $0.5 million and $(1.3) million in fiscal year 2007, respectively. Realized gains and (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.

The Company's available-for-sale securities which are invested in taxable financial instruments must have a minimum rating of A2 / A, as rated by two of the following three rating agencies: Moody's, Standard & Poor's (S&P), or Fitch and available-for-sale securities which are invested in tax-exempt financial instruments must have a minimum rating of A2 / A, as rated by any one of the following three rating agencies: Moody's, Standard & Poor's (S&P), or Fitch.

The amortized cost and fair value of cash equivalents and short-term investments and restricted cash and investments with contractual maturities is as follows:

	June 29, 2008		June 24, 2007	
	Cost	Fair Value	Cost	Estimated Fair Value
	(in thousands)			
Due in less than one year	$ 893,749	$ 894,096	$698,892	$698,681
Due in more than one year	215,542	215,448	289,816	288,048
No single maturity date	3,301	3,306	—	—
	$1,112,592	$1,112,850	$988,808	$986,729

Management has the ability and intent, 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 have been classified as short-term on the accompanying consolidated balance sheets.

Derivatives

The fair value of the Company's foreign currency forward contracts is estimated based upon the current market exchange rates at June 29, 2008 and June 24, 2007, respectively.

The Company also enters into foreign currency forward exchange rate contracts to hedge the gains and losses generated by the remeasurement of Japanese yen-denominated net receivable balances against the U.S. dollar, U.S. dollar net receivable balances against the Euro, and Japanese yen-denominated net receivable balances against the Euro. The Company's derivative financial instruments were recorded at fair value in the consolidated financial statements as follows: (in millions)

	June 29, 2008		June 24, 2007	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Japanese yen forward contracts designated as cash flow hedges	$107.7	$ 5.9	$77.6	$3.7
Japanese yen forward contracts designated as balance sheet hedges	$ 64.3	$(1.0)	$30.2	$0.1
U.S. dollar forward contracts designated as balance sheet hedges	$ 15.9	$ 0.2	$ —	$ —

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.

As noted above, the Company's available-for-sale securities which are invested in taxable financial instruments must have a minimum rating of A2 / A, as rated by two of the following three rating agencies: Moody's, Standard & Poor's (S&P), or Fitch and available-for-sale securities which are invested in tax-exempt financial instruments must have a minimum rating of A2 / A, as rated by any one of the following three rating agencies: Moody's, Standard & Poor's (S&P), or Fitch and its 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 non performance by counterparties on the foreign currency forward contracts that are used to mitigate the effect of exchange rate changes. These counterparties are large international financial institutions and to date, no such counterparty has failed to meet its financial obligations to the Company. The Company does not anticipate nonperformance by these counterparties.

As of June 29, 2008, one customer accounted for approximately 11% of accounts receivable. As of June 24, 2007 two customers accounted for approximately 10% and 14% of accounts receivable.

Credit risk evaluations, including trade references, bank references and Dun & Bradstreet ratings are performed on all new customers, and subsequent to credit application approval, the Company monitors its customers' financial statements and payment performance. In general, the Company does not require collateral on sales.

Note 5: Derivative Financial Instruments and Hedging

The Company carries derivative financial instruments (derivatives) on the balance sheet at their fair values in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133) and Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS No. 149"). The Company has a policy that allows the use of derivative financial instruments, specifically foreign currency forward exchange rate contracts, to hedge foreign currency exchange rate fluctuations on forecasted revenue transactions denominated in Japanese yen and other foreign currency denominated assets. The Company does not use derivatives for trading or speculative purposes.

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. To protect against the reduction in value of forecasted Japanese yen-denominated revenues, the Company has instituted a foreign currency cash flow hedging program. The Company enters into foreign currency forward exchange rate contracts that generally expire within 12 months, and no later than 24 months. These foreign currency forward exchange 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.

Each period, hedges are tested for effectiveness using regression testing. Changes in the fair value of currency forwards due to changes in time value are excluded from the assessment of effectiveness and are recognized in revenue in the current period. The change in forward time value was not material for all periods. There were no gains or losses during the twelve months ended June 29, 2008 and June 24, 2007 associated with ineffectiveness or forecasted transactions that failed to occur. To qualify for hedge accounting, the hedge relationship must meet criteria relating both to the derivative instrument and the hedged item. These include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows will be measured.

To receive hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge and the hedges must be highly effective in offsetting changes to future cash flows on hedged transactions. When derivative instruments are designated and qualify as effective cash flow hedges, the Company is able to defer 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 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 would occur, the Company may not be able to account for its investments in 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 without the benefits of offsets or deferrals of changes in fair value arising from hedge accounting treatment. At June 29, 2008, the Company expects to reclassify the entire amount associated with the \$5.9 million of gains as of June 29, 2008 accumulated in other comprehensive income to earnings during the next 12 months due to the recognition in earnings of the hedged forecasted transactions.

The Company also enters into foreign currency forward exchange rate contracts to hedge the gains and losses generated by the remeasurement of Japanese yen-denominated net receivable balances against the U.S. dollar, U.S. dollar net receivable balances against the Euro, and Japanese yen-denominated net receivable balances against the Euro. Under SFAS No. 133 and SFAS No. 149, these forward contracts are not designated for hedge accounting treatment. Therefore, the change in fair value of these derivatives is recorded into earnings as a component of other income and expense and offsets the change in fair value of the foreign currency denominated intercompany and trade receivables, recorded in other income and expense, assuming the hedge contract fully covers the intercompany and trade receivable balances.

Note 6: Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. Shipments to Japanese customers are classified as inventory and carried at cost until title transfers. The acquisition of SEZ during the quarter ended March 30, 2008 resulted in \$81 million in inventory on the date of acquisition. Inventories consist of the following:

	June 29, 2008	June 24, 2007
	(in thousands)	
Raw materials	\$157,135	\$ 122,530
Work-in-process	54,684	43,935
Finished goods	70,399	68,966
	\$282,218	\$ 235,431

Note 7: Property and Equipment

The acquisition of SEZ during the quarter ended March 30, 2008 resulted in approximately \$86 million of property and equipment. Property and equipment, net, consist of the following:

	June 29, 2008	June 24, 2007
	(in thousands)	
Manufacturing, engineering and office equipment	\$ 258,050	\$ 168,267
Computer equipment and software	73,237	66,919
Land	16,785	1,626
Buildings	45,474	9,051
Leasehold improvements	46,300	42,837
Furniture and fixtures	12,060	9,712
	451,906	298,412
Less: accumulated depreciation and amortization	(216,171)	(184,687)
	\$ 235,735	\$ 113,725

Depreciation expense recognized during fiscal years 2008, 2007, and 2006 was \$36.8 million, \$28.3 million, and \$21.7 million, respectively.

Note 8: Accrued Expenses and Other Current Liabilities

The Company assumed approximately $36 million in accrued expenses and other current liabilities as a result of the acquisition of SEZ. Accrued expenses and other current liabilities consist of the following:

	June 29, 2008	June 24, 2007
	(in thousands)	
Accrued compensation	$225,227	$157,088
Warranty reserves	61,308	52,186
Income and other taxes payable	32,589	97,662
Other	70,938	57,360
	$390,062	$364,296

As a result of the determinations from the voluntary independent stock option review, the Company considered the application of Section 409A of the Internal Revenue Code of 1986, as amended ("IRC") and similar provisions of state law to certain stock option grants where, under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", intrinsic value existed at the time of grant. In the event such stock option grants are not considered as issued at fair market value at the original grant date under the IRC and applicable regulations thereunder, these options are subject to Section 409A. On March 30, 2008, the Board of Directors of the Company authorized the Company to assume the tax liability of certain employees, including the Company's Chief Executive Officer and certain executive officers, with options subject to Section 409A. The assumed 409A liability incurred as of March 30, 2008 totaled $50.2 million and is included in accrued compensation in the table above. Of this amount, $43.8 million was recorded in operating expenses consisting of $22.1 million attributable to research and development expenses and $21.7 million associated with selling, general and administrative expenses, and $6.4 million in cost of goods sold in the Company's consolidated statements of operations. The determinations from the voluntary independent stock option review are more fully described in Note 3, "Restatement of Consolidated Financial Statements" to Consolidated Financial Statements in Item 8 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of the Company's 2007 Form 10-K.

Note 9: Other Income (Expense), Net

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

	Year Ended		
	June 29, 2008	June 24, 2007	June 25, 2006
		(in thousands)	
Interest income	$ 51,194	$ 71,666	$38,189
Interest expense	(12,674)	(17,817)	(677)
Foreign exchange gains (losses)	31,070	(1,512)	(1,458)
Debt issue cost amortization	—	—	(368)
Gain on sale of other investments	—	3,000	—
Charitable contributions	(908)	(1,500)	(1,000)
Favorable legal judgment	—	15,834	—
Other, net	(1,137)	(608)	336
	$ 67,545	$ 69,063	$35,022

Included in foreign exchange gains during the year ended June 29, 2008 are gains associated with the acquisition of SEZ of $42.7 million relating primarily to the settlement of a hedge of the Swiss franc associated with the acquisition of SEZ. The legal judgment of $15.8 million was obtained in a lawsuit filed by the Company alleging breach of purchase order contracts by one of its customers. The Supreme Court of California denied review of lower and appellate court judgments in favor of the Company during the quarter ended September 24, 2006.

Note 10: Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed, using the treasury stock method, as though all potential common shares that are dilutive were outstanding during 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 29, 2008	June 24, 2007	June 25, 2006
	(in thousands, except per share data)		
Numerator:			
Net income	$439,349	$685,816	$ 335,210
Denominator:			
Basic average shares outstanding	124,647	138,714	138,581
Effect of potential dilutive securities:			
Employee stock plans	1,857	2,810	5,178
Diluted average shares outstanding	126,504	141,524	143,759
Net income per share — Basic	$ 3.52	$ 4.94	$ 2.42
Net income per share — Diluted	$ 3.47	$ 4.85	$ 2.33

For purposes of computing diluted net income per share, weighted-average common shares do not include potential dilutive securities that are anti-dilutive under the treasury stock method. The following potential dilutive securities were excluded:

	Year Ended		
	June 29, 2008	June 24, 2007	June 25, 2006
	(in thousands)		
Number of potential dilutive securities excluded	250	567	307

Note 11: Comprehensive Income

The components of comprehensive income are as follows:

	Year Ended		
	June 29, 2008	June 24, 2007	June 25, 2006
	(in thousands)		
Net income	$ 439,349	$ 685,816	$ 335,210
Foreign currency translation adjustment	12,557	1,755	2,061
Unrealized gain (loss) on fair value of derivative financial instruments, net	398	5,355	6,200
Unrealized gain (loss) on financial instruments, net	2,787	82	(916)
Reclassification adjustment for loss (gain) included in earnings	(461)	505	(7,761)
SFAS No. 158 adjustment	(359)	—	—
Comprehensive income	$ 454,271	$ 693,513	$ 334,794

The balance of accumulated other comprehensive income (loss) is as follows:

	June 29, 2008	June 24, 2007
	(in thousands)	
Accumulated foreign currency translation adjustment	$ 6,612	$ (5,945)
Accumulated unrealized gain on derivative financial instruments	5,895	3,694
Accumulated unrealized loss on financial instruments	(734)	(1,257)
SFAS No. 158 adjustment	(1,153)	(794)
Accumulated other comprehensive gain (loss)	$ 10,620	$ (4,302)

Note 12: Equity-Based Compensation Plans

The Company has adopted stock plans that provide for the grant to employees of equity-based awards, including stock options and restricted stock units, of Lam Research Common Stock. In addition, these plans permit the grant of nonstatutory equity-based awards to paid consultants and outside directors. According 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 it be less than the fair market value of the Company's Common Stock on the date of grant. Equity-based awards granted under the plans vest over a period determined by the Board of Directors or the plan administrator. The Company also has an employee stock purchase plan (ESPP) that allows employees to purchase its Common Stock. A summary of stock plan transactions is as follows:

		Options Outstanding		Restricted Stock Units	
	Available For Grant	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average FMV at Grant
June 26, 2005	11,018,955	15,629,702	$18.91	71,946	22.10
Granted	(1,053,584)	—	$ —	1,053,584	33.90
Exercised		(9,890,026)	$18.16		
Canceled	263,696	(211,738)	$24.37	(51,958)	29.07
Expired	(281,670)				
Vested restricted stock				(28,060)	22.97
June 25, 2006	9,947,397	5,527,938	$20.04	1,045,512	33.60
Additional amount authorized	15,000,000				
Granted	(1,091,897)	—	$ —	1,091,897	50.39
Exercised	—	(2,179,367)	$19.57		
Canceled	148,837	(63,431)	$19.34	(85,406)	40.52
Expired	(4,500)				
Vested restricted stock		—	$ —	(208,328)	34.51
June 24, 2007	23,999,837	3,285,140	$20.37	1,843,675	43.14
Granted	(960,157)	—	$ —	960,157	$43.41
Exercised	—	(663,681)	$19.13		
Canceled	84,124	(14,765)	$23.23	(69,359)	$47.97
Expired	(7,283,998)				
Vested restricted stock		—	$ —	(1,038,249)	$37.56
June 29, 2008	15,839,806	2,606,694	$21.60	1,696,224	46.51

Outstanding and exercisable options presented by price range at June 29, 2008 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
$ 6.33-6.33	240,268	0.52	$ 6.33	240,268	$ 6.33
6.96-9.67	161,124	1.17	$ 9.23	161,124	$ 9.23
10.81-18.46	367,949	1.97	$14.09	366,383	$14.09
18.58-21.93	107,263	2.71	$20.85	95,788	$20.75
22.05-22.07	127,622	0.68	$22.05	127,622	$22.05
22.24-25.66	1,072,343	1.24	$25.19	1,058,068	$25.21
25.90-28.04	345,660	1.97	$26.74	339,685	$26.76
28.12-50.46	176,640	3.91	$36.19	176,640	$36.19
51.50-51.50	7,000	1.70	$51.50	7,000	$51.50
53.00-53.00	825	1.74	$53.00	825	$53.00
$ 6.33-53.00	2,606,694	1.59	$21.60	2,573,403	$21.58

The Company awarded a total of 960,157 and 1,091,897 restricted stock units during fiscal years 2008 and 2007, respectively. Certain of the unvested restricted stock units at June 29, 2008 contain Company-specific performance targets. As of June 29, 2008, 1,696,224 restricted stock units remain subject to vesting requirements.

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 29, 2008 there were a total of 4,302,918 shares subject to options and restricted stock units issued and outstanding under the Company's Stock Plans. As of June 29, 2008, there were a total of 15,839,806 shares available for future issuance under the 1999 and 2007 Plans (the "Plans") of which 13,139,227 are available from the 2007 Stock Incentive Plan.

The ESPP allows employees to designate a portion of their base compensation to be used to purchase the Company's Common Stock at a purchase price per share of the lower of 85% of the fair market value of the Company's Common Stock on the first or last day of the applicable purchase period. Typically, each offering period lasts 12 months and comprises three interim purchase dates. In fiscal year 2004, the Company's stockholders approved an amendment to the 1999 ESPP to (i) each year automatically increase the number of shares available for issuance under the plan by a specific amount on a one-for-one basis with shares of Common Stock that the Company will redeem in public market and private purchases for such purpose and (ii) to authorize the Plan Administrator (the "Compensation Committee of the Board") to set a limit on the number of shares a plan participant can purchase on any single plan exercise date. The automatic annual increase provides that the number of shares in the plan reserve available for issuance shall be increased on the first business day of each calendar year commencing with 2004, on a one-for-one basis with each share of Common Stock that the Company redeems, in public-market or private purchases, and designates for this purpose, by a number of shares equal to the lesser of (i) 2,000,000, (ii) one and one-half percent (1.5%) of the number of shares of all classes of Common Stock of the Company outstanding on the first business day of such calendar year, or (iii) a lesser number determined by the Plan Administrator. During fiscal years 2008, 2007 and 2006, the number of shares of Lam Research Common Stock reserved for issuance under the 1999 ESPP increased by 1.9 million shares, 2.0 million shares, and 2.0 million shares, respectively, subject to repurchase of an equal number of shares in public market or private purchases.

During fiscal year 2008, 235,901 shares of the Company's Common Stock were sold to employees under the 1999 ESPP. A total of 10,480,846 shares of the Company's Common Stock have been issued under the 1999 ESPP through June 24, 2007, at prices ranging from $4.11 to $46.25 per share. At June 29, 2008, 6,384,303 shares were available for purchase under the 1999 ESPP.

The Company accounts for equity-based compensation in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123R), which the Company adopted as of June 27, 2005 using the modified prospective method. The Company recognized equity-based compensation expense of $42.5 million during fiscal year 2008, $35.6 million during fiscal year 2007 and $24.0 million during fiscal year 2006. The income tax benefit recognized in the consolidated statements of operations related to equity-based compensation expense was $7.0 million during fiscal year 2008, $5.8 million during fiscal year 2007, and $5.2 million during fiscal year 2006. 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 for awards granted after the adoption of SFAS No. 123R and on a graded vesting basis for awards granted prior to the adoption of SFAS No. 123R.

Stock Options and Restricted Stock Units

Stock Options

The Company did not grant any stock options during fiscal years 2007 and 2006. The fair value of the Company's stock options issued prior to the adoption of SFAS No. 123R 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. Prior to the adoption of SFAS No. 123R, the Company used historical volatility as a basis for calculating expected volatility.

The year-end intrinsic value relating to stock options for fiscal years 2008 and 2007 is presented below:

	Year Ended		
	June 29, 2008	June 24, 2007	June 25, 2006
		(millions)	
Intrinsic value — options outstanding	$41.20	$107.50	$127.30
Intrinsic value — options exercisable	$40.74	$102.00	$105.60
Intrinsic value — options exercised	$22.18	$ 69.00	$224.00

As of June 29, 2008, there was less than $0.1 million of total unrecognized compensation cost related to nonvested stock options granted and outstanding; that cost is expected to be recognized through fiscal year 2009, with a weighted average remaining vesting period of 0.3 years. Cash received from stock option exercises was $12.7 million, $42.5 million, and $179.4 million during fiscal years 2008, 2007, and 2006, 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 29, 2008, there was $49.4 million of total unrecognized compensation cost related to nonvested restricted stock units granted; that cost is expected to be recognized over a weighted average remaining vesting period of 0.8 years.

ESPP

ESPP awards were valued using the Black-Scholes model. ESPP awards for offering periods subsequent to the adoption of SFAS No. 123R were valued using the Black-Scholes model with expected volatility calculated using implied volatility. Prior to the adoption of SFAS No. 123R, the Company used historical volatility in deriving its expected volatility assumption. The Company determined, for purposes of valuing ESPP awards, that implied volatility provides a more accurate reflection of market conditions and is a better indicator of expected volatility than historical volatility. During fiscal years 2008 and 2007 ESPP was valued assuming no expected dividends and the following weighted-average assumptions:

	Year Ended		
	June 29, 2008	June 24, 2007	June 25, 2006
Expected life (years)	0.82	0.68	0.68
Expected stock price volatility	42.6%	44.5%	34.5%
Risk-free interest rate	2.0%	5.0%	3.4%

As of June 29, 2008, there was $7.8 million of total unrecognized compensation cost related to the ESPP that is expected to be recognized over a remaining vesting period of 10 months.

Note 13: Profit Sharing and Benefit Plans

Profit sharing is awarded to certain employees based upon performance against specific corporate financial and operating goals. Distributions to employees by the Company are based upon a percentage of earned compensation, provided that a threshold level of the Company's financial and performance goals are met. In addition to profit sharing the Company has other bonus plans based on achievement of profitability and other specific performance criteria. Charges to expense under these plans were $93.1 million, $102.0 million, and $70.8 million during fiscal years 2008, 2007, and 2006, respectively.

The Company maintains a 401(k)-retirement savings plan for its full-time employees in North America. Commencing September 1, 2006, each participant in the plan may elect to contribute from 2% to 75% of his or her annual salary to the plan, subject to statutory limitations. Prior to September 1, 2006, the contribution range was from 2% to 20%. The Company makes matching employee contributions in cash to the plan at the rate of 50% of the first 6% of salary contributed. Employees participating in the 401(k)-retirement savings plan are 100% vested in the Company matching contributions and investments are directed by participants. The Company made matching contributions of approximately $5.0 million, $4.4 million, and $3.5 million in fiscal years 2008, 2007, and 2006, respectively.

Note 14: Commitments

The Company has certain obligations to make future payments under various contracts, some of which are recorded on its balance sheet and some of which are not. Obligations are recorded on the Company's balance sheet in accordance with U.S. generally accepted accounting principles and include its long-term debt which is outlined in the following table and discussed below. The Company's off-balance sheet arrangements include contractual relationships and are presented as operating leases and purchase obligations in the table below. The Company's contractual cash obligations and commitments relating to these agreements, and its guarantees are included in the following table. The amounts in the table below exclude $109.5 million of liabilities under FIN 48 as the Company is unable to reasonably estimate the ultimate amount or time of settlement. See Note 15, "Income Taxes" 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. The amounts in the table below include the interest portion of payment obligations.

Long-Term Debt

Consolidated debt obligations increased as a result of the SEZ acquisition. Debt balances related to the SEZ acquisition were $34.8 million. $4.6 million represents the current portion of long-term debt and $30.2 million is classified as long-term debt on the consolidated balance sheet. The debt obligations consist of various bank loans and government grants supporting operating needs.

On June 16, 2006, the Company's wholly-owned subsidiary, LRI, as borrower, entered into the LRI Credit Agreement. In connection with the LRI Credit Agreement, the Company entered into the Guarantee Agreement guaranteeing the obligations of LRI under the LRI Credit Agreement. The outstanding balance on the loan was repaid in full and the Guarantee Agreement was also terminated during the quarter ended March 30, 2008.

On March 3, 2008, the Company, as borrower, entered into the Credit Agreement with ABN AMRO BANK N.V (the "Agent"), as administrative agent for the lenders party to the Credit Agreement, and such lenders. Bullen Semiconductor Corporation entered into the Bullen Guarantee to guarantee the obligations of the Company under the Credit Agreement. In connection with the Credit Agreement, the Company and Bullen entered into the Collateral Documents including the Security Agreement, the Bullen Security Agreement, the Pledge Agreement and other Collateral Documents to secure its obligations under the Credit Agreement. The Collateral Documents encumber current and future accounts receivables, inventory, equipment and related assets of the Company and Bullen, as well as 100% of the Company's ownership interest in Bullen and 65% of the Company's ownership interest in Lam Research International BV, a wholly-owned subsidiary of the Company. In addition, any future domestic subsidiaries of the Company will also enter into a similar guarantee and collateral documents to encumber the foregoing type of assets.

Under the Credit Agreement, the Company borrowed $250 million in principal amount for general corporate purposes. The loan under the Credit Agreement is a non-revolving term loan with the following repayment terms: (a) $12.5 million of the principal amount due on each of (i) September 30, 2008, (ii) March 31, 2009 and (iii) September 30, 2009 and (b) the payment of the remaining principal amount on March 6, 2010. The outstanding principal amount bears interest at LIBOR plus 0.75% per annum or, alternatively, at the Agent's "prime rate." The Company may prepay the loan under the Credit Agreement in whole or in part at any time without penalty. The Credit Agreement contains customary representations, warranties, affirmative covenants and events of default, as well as various negative covenants (including maximum leverage ratio, minimum liquidity and minimum EBITDA).

As a condition to funding under the Credit Agreement, the outstanding balance ($250 million) under the LRI Credit Agreement was repaid in full and the Guarantee Agreement was also terminated. The Company's obligations under the Guarantee Agreement were fully collateralized by cash and cash equivalents.

The Company's total long-term debt of $284.8 million as of June 29, 2008 includes the $250.0 million discussed above and $34.8 million from SEZ. The current portion of long-term debt was $29.6 million as of June 29, 2008.

The Company's contractual cash obligations relating to its existing capital leases and debt as of June 29, 2008 are as follows:

	Capital Leases	Long-term Debt	Total
		(in thousands)	
Payments due by period:			
One year	$ 1,864	$ 29,601	$ 31,465
Two years	2,399	229,743	232,142
Three years	3,537	12,430	15,967
Four years	2,261	8,674	10,935
Five years	2,255	4,381	6,636
Over 5 years	16,697	—	16,697
Total	29,013	284,829	313,842
Interest on capital leases	7,512		
Current portion of long-term debt and capital leases	608	29,601	30,209
Long-term debt and capital leases	$20,893	$255,228	$276,121

Operating Leases

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

The Company's rental expense for the space occupied during fiscal years 2008, 2007, and 2006 aggregated approximately $11 million, $11 million, and $9 million, respectively. Included in the Operating Leases Over 5 years section of the table below is $141.8 million in guaranteed residual values for lease agreements relating to certain properties at the Company's Fremont, California campus and properties in Livermore, California.

On December 18, 2007, the Company entered into a series of two operating leases (the "Livermore Leases") regarding certain improved properties in Livermore, California. 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 its headquarters in Fremont, California. Each of the Operating Leases is an off-balance sheet arrangement. The Operating Leases (and associated documents for each Operating Lease) were entered into by the Company and BNP Paribas Leasing Corporation ("BNPPLC").

Each Livermore Lease facility has an approximately seven-year term (inclusive of an initial construction period during which BNPPLC's and the Company's obligations will be governed by the Construction Agreement entered into with regard to such Livermore Lease facility) ending on the first business day in January, 2015. Each New Fremont Lease has an approximately seven-year term ending on the first business day in January, 2015.

Under each Operating Lease, the Company may, at its discretion and with 30 days' notice, elect to purchase the property that is the subject of the Operating Lease for an amount approximating the sum required to prepay the amount of BNPPLC's investment in the property and any accrued but unpaid rent. Any such amount may also include an additional make-whole amount for early redemption of the outstanding investment, which will vary depending on prevailing interest rates at the time of prepayment.

The Company will be required, pursuant to the terms of the Operating Leases and associated documents, to maintain collateral in an aggregate of approximately $165.0 million (upon completion of the Livermore construction) in separate interest-bearing accounts and/or eligible short-term investments as security for its obligations under the Operating Leases. As of June 29, 2008, the Company had $129.2 million recorded as restricted cash and short-term investments in its consolidated balance sheet as collateral required under the lease agreements related to the amounts currently outstanding on the facility.

Upon expiration of the term of an Operating Lease, the property subject to that Operating Lease may be remarketed. The Company has guaranteed to BNPPLC that each property will have a certain minimum residual value, as set forth in the applicable Operating Lease. The aggregate guarantee made by the Company under the Operating Leases is no more than approximately $141.8 million (although, under certain default circumstances, the guarantee with regard to an Operating Lease may be 100% of BNPPLC's investment in the applicable property; in the aggregate, the amounts payable under such guarantees will be no more than $165.0 million plus related indemnification or other obligations).

The lessor under the lease agreements is a substantive independent leasing company that does not have the characteristics of a variable interest entity (VIE) as defined by FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" and is therefore not consolidated by the Company.

The remaining operating lease balances primarily relate to non-cancelable facility-related operating leases.

The Company's contractual cash obligations with respect to operating leases as of June 29, 2008 are as follows:

Payments due by period:	Operating Leases (in thousands)
One year	$ 12,594
Two years	10,469
Three years	8,064
Four years	6,543
Five years	6,118
Over 5 years	150,243
Total	$ 194,031

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 above contains the Company's minimum obligations at June 29, 2008 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.

Consignment inventories, which are owned by vendors but located in the Company's storage locations and warehouses, are not reported as the Company's inventory until title is transferred to the Company or its purchase obligation is determined. At June 29, 2008, vendor-owned inventories held at the Company's locations and not reported as its inventory were $26.5 million.

The Company's contractual cash obligations and commitments relating to these agreements as of June 29, 2008 are as follows:

Payments due by period:	Purchase Obligations (in thousands)
Less than 1 year	$ 142,651
1-3 years	49,311
3-5 years	31,727
Over 5 years	41,054
Total	$ 264,743

Guarantees

The Company accounts for its guarantees in accordance with FASB Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires a company that is a guarantor to make specific disclosures about its obligations under certain guarantees that it has issued. FIN 45 also requires a company (the guarantor) to recognize, at the inception of a guarantee, a liability for the obligations it has undertaken in issuing the guarantee.

The Company has issued certain indemnifications to its lessors under some of its agreements. The Company has entered into certain insurance contracts which may limit its exposure to such indemnifications. As of June 29, 2008, the Company has not recorded any liability on its 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.

Please see the discussion above under "Operating Leases" regarding the guarantee on the Company's operating lease under the Livermore and Fremont facilities.

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.

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

Changes in the Company's product warranty reserves were as follows:

	Year Ended	
	June 29, 2008	June 24, 2007
	(in thousands)	
Balance at beginning of period	$ 52,186	$ 40,122
Warranties assumed upon acquisition of SEZ	21,059	—
Warranties issued during the period	52,923	62,868
Settlements made during the period	(58,095)	(45,233)
Expirations and change in liability for pre-existing warranties during the period	(6,765)	(5,571)
Balance at end of period	$ 61,308	$ 52,186

Note 15: Income Taxes

The components of income before income taxes are as follows:

	Year Ended		
	June 29, 2008	June 24, 2007	June 25, 2006
	(in thousands)		
United States	$ 246,028	$ 351,319	$ 195,008
Foreign	330,948	496,404	244,782
	$ 576,976	$ 847,723	$ 439,790

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

	Year Ended		
	June 29, 2008	June 24, 2007	June 25, 2006
		(in thousands)	
Federal:			
Current	$ 116,788	$ 70,285	$ 43,735
Deferred	(18,635)	2,001	60,483
	$ 98,153	$ 72,286	$ 104,218
State:			
Current	$ 5,603	$ (73)	$ (1,264)
Deferred	930	4,509	(3,922)
	$ 6,533	$ 4,436	$ (5,186)
Foreign:			
Current	$ 38,294	$ 75,344	$ 24,095
Deferred	(5,353)	9,841	(18,547)
	$ 32,941	$ 85,185	$ 5,548
	$ 137,627	$ 161,907	$ 104,580

Deferred income taxes reflect the net effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred tax assets are as follows:

	June 29, 2008	June 24, 2007
	(in thousands)	
Deferred tax assets:		
Tax benefit carryforwards	$ 40,543	$ 16,796
Accounting reserves and accruals deductible in different periods	87,932	56,661
Inventory valuation differences	18,561	11,238
Equity-based compensation	11,996	20,170
Capitalized R&D expenses	9,040	12,521
Other	5,007	5,913
Gross deferred tax assets	173,079	123,299
Valuation allowance	(3,407)	—
Net deferred tax assets	169,672	123,299
Deferred tax liabilities:		
Intangibles — foreign	(13,835)	—
Temporary differences for capital assets — federal and state	(20,052)	(20,611)
State cumulative temporary differences	(16,607)	(12,605)
Amortization of goodwill	(2,637)	(942)
Gross deferred tax liabilities	(53,131)	(34,158)
	$ 116,541	$ 89,141

Realization of the Company's net deferred tax assets is based upon the weight of available evidence, including such factors as the recent earnings history and expected future taxable income. The Company believes it is more likely than not that such assets will be realized with an exception of $3.4 million related to certain deferred tax assets acquired in the SEZ acquisition; however, ultimate realization could be negatively impacted by market conditions and other variables not known or anticipated at this time. Subsequently recognized tax benefits associated with valuation allowances recorded in SEZ acquisition will be recorded as an adjustment to goodwill.

Deferred tax assets relating to tax benefits of employee stock option grants have been reduced to reflect the exercises in fiscal year 2008 and 2007. Some exercises resulted in tax deductions in excess of previously recorded benefits based on the option value at the time of grant ("windfalls"). Although these additional tax benefits are reflected in net operating loss carryforwards, pursuant to SFAS 123(R), the additional tax benefit associated with the windfall is not recognized until the tax benefits reduce cash taxes payable, at which time the Company will credit equity.

At June 29, 2008, the Company had federal and state tax credit carryforwards of approximately \$82.6 million, of which approximately \$22.7 million will expire in varying amounts between fiscal years 2016 and 2028. The remaining balance of \$59.9 million of tax carryforwards may be carried forward indefinitely. The tax benefits relating to approximately \$58.3 million of the tax credit carryforwards will be credited to equity when recognized, in accordance with SFAS No. 123R.

At June 29, 2008, the Company had foreign net operating losses of approximately \$92.6 million of which \$39.9 million will expire in fiscal year 2012. The remaining balance of \$52.7 million of tax carryforwards may be carried forward indefinitely.

A reconciliation of income tax expense provided at the federal statutory rate (35% in fiscal years 2008, 2007 and 2006) to actual income expense is as follows:

	Year Ended		
	June 29, 2008	June 24, 2007	June 25, 2006
		(in thousands)	
Income tax expense computed at federal statutory rate	\$ 201,942	\$ 296,703	\$ 153,925
State income taxes, net of federal tax	3,712	3,447	(6,349)
Foreign income taxes at different rates	(84,077)	(122,574)	(70,704)
Tax credits	(6,745)	(9,156)	(4,762)
Provision related to repatriation under American Jobs Creation Act	—	—	24,207
Equity-based compensation	10,717	6,195	4,028
Other, net	12,078	(12,708)	4,235
	\$ 137,627	\$ 161,907	\$ 104,580

As a result of an Advanced Pricing Agreement with certain foreign tax authorities, the Company reduced its recorded future unrecognized tax benefits by \$12.3 million in the fourth quarter of fiscal year 2008.

Effective from fiscal year 2003 through June 2013, the Company has negotiated a tax holiday on certain foreign earnings, which is conditional upon the Company meeting certain employment and investment thresholds. The impact of the tax holiday decreased income taxes by approximately \$18.9 million for fiscal year 2008, \$48.4 million in fiscal year 2007, and \$72.0 million in fiscal year 2006. The benefit of the tax holiday on net income per share (diluted) was approximately \$0.15 in fiscal year 2008, \$0.34 in fiscal year 2007, and \$0.50 in fiscal year 2006.

Unremitted earnings of the Company's foreign subsidiaries included in consolidated retained earnings aggregated to approximately \$1.07 billion at June 29, 2008. 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. taxes of approximately \$296 million at current statutory rates. The Company's federal income tax provision includes U.S. income taxes on certain foreign-based income.

In July 2006, the FASB issued FASB Interpretation Number 48, "Accounting for Income Tax Uncertainties" (FIN 48). FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognizing, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company adopted FIN 48 as of June 25, 2007. As a result of the adoption of FIN 48, the Company decreased the recorded liability for unrecognized tax benefits by approximately $26.2 million, and reclassed approximately $64.4 million from current to non-current income taxes payable. The cumulative effect of adopting FIN 48 resulted in an increase to the Company's opening retained earnings in the first quarter of fiscal year 2008 of approximately $17.6 million.

The Company has historically classified unrecognized tax benefits in current taxes payable. As a result of adoption of FIN 48, we reclassified unrecognized tax benefits to long-term income taxes payable. Long-term income taxes payable include uncertain tax positions, reduced by the associated federal deduction for state taxes and non-U.S. tax credits, and may also include other long-term tax liabilities that are not uncertain but have not yet been paid. The Company's policy to include interest and penalties related to unrecognized tax benefits within the provision for taxes on the consolidated condensed statements of operations did not change as a result of implementing the provisions of FIN 48.

The aggregate changes in the balance of gross unrecognized tax benefits were as follows:

	(in millions)
Beginning balance as of June 25, 2007 (date of adoption)	$119.2
Settlements and effective settlements with tax authorities and related remeasurements	(11.7)
Lapse of statute of limitations	(0.7)
Increases in balances related to tax positions taken during prior periods	—
Decreases in balances related to tax positions taken during prior periods	—
Increases in balances related to tax positions taken during current period	37.0
Balance as of June 29, 2008	$143.8

During fiscal year 2008, the Company completed its unilateral advanced pricing agreement ("APA") with certain foreign tax authorities. As a result of the APA, the Company reduced its balance of gross unrecognized tax benefits by approximately $11.7 million, of which $8.1 million relates to years prior to fiscal year 2008.

If the remaining balance of $143.8 million of gross unrecognized tax benefits at June 29, 2008 were realized in a future period, it would result in a tax benefit of $101.8 million and a reduction of the effective tax rate. Approximately $11.3 million of gross unrecognized tax benefits are related to the SEZ pre-acquisition period and would result in an adjustment to goodwill of $0.5 million.

The Company recognizes potential accrued interest related to unrecognized tax benefits as tax expense. As of the adoption date of FIN 48, the Company had accrued approximately $5.8 million for the payment of interest and penalties (net of tax benefit) relating to unrecognized tax benefits. As of June 29, 2008, the Company had accrued interest related to unrecognized tax benefits of $9.3 million (net of tax benefit). During fiscal year 2008, interest and penalties related to unrecognized tax benefits increased by $3.5 million, of which $1.2 million was recognized in the provision for income taxes. The remaining balance of approximately $2.3 million related to the SEZ acquisition and was recorded in goodwill.

The Company does not anticipate that the total unrecognized tax benefits will significantly change due to the settlement of audits and the expiration of statute of limitations in the next 12 months.

The Company files U.S. federal, U.S. state, and foreign income tax returns. As of the year-ended June 29, 2008, fiscal years 2000-2007 remain subject to examination in the U.S., and fiscal years 2002-2007 remain subject to examination in various foreign jurisdictions.

Note 16: Acquisitions

SEZ

During fiscal year 2008, the Company acquired approximately 99% of the outstanding shares of SEZ, a major supplier of single-wafer wet clean technology and products to the global semiconductor manufacturing industry. The acquisition was an all-cash transaction. The Company expects to take additional steps as necessary to acquire the SEZ shares that remain outstanding. The acquisition of these shares was conducted pursuant to the terms of a Transaction Agreement entered into on December 10, 2007 by and between the Company and SEZ. SEZ's Spin-Process single-wafer technology forms part of a broad equipment solution portfolio for wafer cleaning and decontamination, a key process adjacent to etch.

The acquisition was accounted for as a business combination in accordance with Statement of Financial Accounting Standards No. 141, "Business Combinations" and all amounts were recorded at their estimated fair value. The consolidated financial statements include the operating results of SEZ from the acquisition date of March 11, 2008.

The purchase price was preliminarily allocated to the fair value of assets acquired and liabilities assumed as follows, in thousands:

Cash consideration	$ 619,329
Transaction costs	11,115
	$ 630,444
ASSETS	
Cash and cash equivalents	$ 147,870
Short-term investments	$ 5,492
Accounts receivable	$ 103,794
Inventories	$ 80,336
Prepaid expenses and other current assets	$ 24,201
Property and equipment	$ 86,096
Restricted cash and investments	$ 40,038
Deferred income taxes	$ 739
Goodwill	$ 220,732
Intangible assets	$ 67,743
Other assets	$ 2,527
LIABILITIES	
Accounts payable	$ 11,700
Accrued expenses and other accrued liabilities	$ 56,007
Long-term debt and capital leases	$ 55,088
Other long-term liabilities	$ 19,869
Minority interest	$ 6,460
	$ 630,444

The preliminary purchase price allocation for the acquisition was based upon an initial valuation and estimate of fair value. The purchase price allocation is not finalized and the Company's estimates and assumptions are subject to change.

The Company recorded a charge of $2.1 million during fiscal year 2008 for in process research and development related to the acquisition of SEZ. This amount is included in operating expenses in the Company's consolidated statements of operations.

Unaudited pro forma financial information is presented below as if the acquisition of SEZ occurred at the beginning of the fiscal periods presented below. The pro forma information presented below is not necessarily indicative of the consolidated financial position or results of operations in future periods or the results that actually would have been realized had the acquisition in fact occurred at the beginning of fiscal years 2008, 2007, and 2006. The pro forma results below reflect certain adjustments to exclude one-time transaction costs incurred with the acquisition, to amortize intangible assets and to transition to an acceptance-based revenue recognition model with respect to the acquisition of SEZ.

Pro forma results of operations are as follows:

	Year Ended		
	June 29, 2008	June 24, 2007	June 25, 2006
	(unaudited) (in thousands, except per share data)		
Pro forma revenue	$2,687,846	$2,907,129	$1,766,549
Pro forma net income	445,621	709,605	303,249
Pro forma basic earnings per share	$ 3.58	$ 5.12	$ 2.19
Pro forma diluted earnings per share	$ 3.52	$ 5.01	$ 2.11

Bullen Ultrasonics

During the quarter ended December 24, 2006, the Company acquired the U.S. silicon growing and silicon fabrication assets of Bullen Ultrasonics, Inc. The Company was the largest customer of the Bullen Ultrasonics silicon business. The silicon business has become a division of the Company post-acquisition.

The acquisition included assets related to Bullen Ultrasonics' silicon growing and silicon fabrication business, including assets of Bullen Ultrasonics and Bullen Semiconductor (Suzhou) Co., Ltd., a wholly foreign-owned enterprise established in Suzhou, Jiangsu, People's Republic of China ("PRC"). The closing of the U.S. asset acquisition occurred on November 13, 2006. The acquisition of the Suzhou assets occurred during the quarter ending September 28, 2008. The assets acquired consist of fixtures, intellectual property, equipment, inventory, material and supplies, contracts relating to the conduct of the business, certain licenses and permits issued by government authorities for use in connection with the operations of Eaton, Ohio and Suzhou manufacturing facilities, real property and leaseholds connected with such facilities, data and records related to the operation of the silicon growing and silicon fabrication business and certain proprietary rights.

Pursuant to the First Amendment to the Asset Purchase Agreement dated October 5, 2006, the parties to the Asset Purchase Agreement agreed that the closing of the sale of the Suzhou assets would take place within 5 business days following receipt by the parties of all necessary approvals, consents and authorizations of governmental and provincial authorities in the PRC and satisfaction of other customary conditions and covenants. The Company paid the $2.5 million purchase price for the Suzhou assets upon the receipt of the approvals and satisfaction of conditions noted above which occurred during the quarter ending September 28, 2008.

The acquisition supports the competitive position and capability primarily of the Company's dielectric etch products by providing access to and control of critical intellectual property and manufacturing technology related to the production of silicon parts in the Company's processing chambers. The Company funded the purchase price of the acquisition with existing cash resources.

The acquisition was accounted for as a business combination in accordance with Statement of Financial Accounting Standards Number 141, "Business Combinations" and all amounts were recorded at their estimated fair value. The condensed consolidated financial statements include the operating results from the date of acquisition. Pro forma results of operations have not been presented because the effects of the acquisition were not material to the Company's results.

The purchase price was allocated to the fair value of assets acquired as follows, in thousands:

Cash consideration	$ 173,893
Transaction costs	3,215
	$ 177,108
Inventories	$ 12,656
Property and equipment, net	32,696
Prepaid expenses and other current assets	4,392
Other assets	5,731
Accrued expenses and other current liabilities	(42)
Customer relationships	35,226
Other intangible assets	30,193
Goodwill	56,256
	$ 177,108

Note 17: Goodwill and Intangible Assets

Goodwill

Total goodwill as of June 29, 2008 was $281.3 million compared to $59.7 million as of June 24, 2007. Goodwill attributable to the SEZ acquisition of $221.6 million is not tax deductible due to foreign jurisdiction law. The remaining goodwill balance of $59.7 million is tax deductible.

Intangible Assets

The following table provides details of the Company's intangible assets subject to amortization as of June 29, 2008 (in thousands, except years):

	Gross	Accumulated Amortization	Net	Weighted-Average Useful Life (years)
Customer relationships	$ 35,226	$ (8,501)	$ 26,725	6.90
Existing technology	61,598	(4,008)	57,590	6.70
Other intangible assets	35,216	(10,157)	25,059	4.10
Patents	17,710	(5,195)	12,515	7.40
	$ 149,750	$(27,861)	$ 121,889	6.20

The following table provides details of the Company's intangible assets subject to amortization as of June 24, 2007 (in thousands, except years):

	Gross	Accumulated Amortization	Net	Weighted-Average Useful Life (years)
Customer relationships	$35,226	$ (3,276)	$31,950	6.90
Other intangible assets	30,193	(3,556)	26,637	4.60
Patents	15,000	(2,678)	12,322	7.00
	$80,419	$ (9,510)	$70,909	6.10

The Company recognized $17.9 million, $9.2 million, and $0.3 million in intangible asset amortization expense during fiscal years 2008, 2007, and 2006, respectively.

The estimated future amortization expense of purchased intangible assets as of June 29, 2008 is as follows (in thousands):

Fiscal Year	Amount
2009	$ 26,407
2010	24,893
2011	21,912
2012	18,901
2013	16,698
Thereafter	13,078
	$ 121,889

Note 18: 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 under Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," due to their identical customer base and similarities in economic characteristics, nature of products and services, and processes for procurement, manufacturing and distribution.

The Company operates in six geographic regions: the United States, Europe, Taiwan, Korea, Japan, and Asia Pacific. For geographical reporting, revenues are attributed to the geographic location in which the customers' facilities are located while long-lived assets are attributed to the geographic locations in which the assets are located.

	Year Ended		
	June 29, 2008	June 24, 2007	June 25, 2006
		(in thousands)	
Revenue:			
United States	$ 417,807	$ 408,631	$ 238,009
Europe	235,191	237,716	208,369
Asia Pacific	308,984	451,487	193,181
Taiwan	502,683	573,875	277,731
Korea	554,924	531,310	366,939
Japan	455,322	363,557	357,942
Total revenue	$2,474,911	$2,566,576	$1,642,171

	June 29, 2008	June 24, 2007	June 25, 2006
		(in thousands)	
Long-lived assets:			
United States	$307,168	$268,822	$86,408
Europe	397,472	20,515	4,955
Asia Pacific	1,797	1,398	884
Taiwan	5,420	694	761
Korea	3,511	3,409	2,553
Japan	1,982	1,143	1,031
Total long-lived assets	$717,350	$295,981	$96,592

In fiscal year 2008, revenues from Samsung Electronics Company, Ltd. and Toshiba Corporation accounted for approximately 19% and 13%, respectively. In fiscal year 2007, revenues from Hynix Semiconductor and Samsung Electronics each accounted for approximately 14% of total revenues. In fiscal year 2006, revenues from Samsung Electronics Company, Ltd., accounted for approximately 15% of total revenues and revenues from Toshiba Corporation accounted for approximately 12% of total revenues.

Note 19: Restructuring and Asset Impairments

During the June 2008 quarter the Company incurred expenses for restructuring and asset impairment charges related to the integration of SEZ and overall streamlining of the Company's combined clean product group ("June 2008 Plan"). These charges included severance and related benefits costs, excess facilities-related costs and certain asset impairments associated with the Company's initial product line integration road maps.

Prior to the end of the June 2008 quarter, the Company initiated the announced restructuring activities and management with the proper level of authority approved specific actions under the June 2008 Plan. 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 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 these items will have no future economic benefit to the Company and have been abandoned.

The Company distinguishes regular operating cost management activities from restructuring activities. Accounting for restructuring 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 Company recorded net restructuring charges and asset impairments during fiscal year 2008 of approximately \$19.0 million, consisting of severance and benefits for involuntarily terminated employees of \$5.5 million, charges for the present value of remaining lease payments on vacated facilities of \$0.9 million, and the write-off of related fixed assets of \$1.9 million. The Company also recorded asset impairments related to initial product line integration road maps of \$10.7 million. Of the total \$19.0 million in charges, \$12.6 million was recorded in cost of goods sold and \$6.4 million was recorded in operating expenses in the Company's fiscal year 2008 consolidated statement of operations.

Below is a table summarizing activity relating to the June 2008 Plan:

	Severance and Benefits	Facilities	Abandoned Fixed Assets	Inventory	Total
			(in thousands)		
June 2008 provision	$ 5,513	$ 899	$ 1,893	$ 10,671	$ 18,976
Cash payments	(927)	—	—	—	(927)
Non-cash charges	—	—	(1,893)	(10,671)	(12,564)
Balance at June 29, 2008	$ 4,586	$ 899	$ —	$ —	$ 5,485

The severance and benefits-related costs are anticipated to be utilized by the end of fiscal year 2009. The facilities balance consists primarily of lease payments on vacated buildings and is expected to be utilized by the end of fiscal year 2009.

Note 20: Legal Proceedings

From time to time, the Company has received notices from third parties alleging infringement of such parties' patent or other intellectual property rights by the Company's products. In such cases it is the Company's policy to defend the claims, or if considered appropriate, negotiate licenses on commercially reasonable terms. However, no assurance can be given that the Company will be able in the future to negotiate necessary licenses on commercially reasonable terms, or at all, or that any litigation resulting from such claims would not have a material adverse effect on the Company's consolidated financial position or operating results.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Lam Research Corporation

We have audited the accompanying consolidated balance sheets of Lam Research Corporation as of June 29, 2008 and June 24, 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended June 29, 2008. 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 29, 2008 and June 24, 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 29, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the Notes to Consolidated Financial Statements, under the heading Income Taxes, Lam Research Corporation changed its method of accounting for income tax uncertainties in fiscal year 2008.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Lam Research Corporation's internal control over financial reporting as of June 29, 2008, 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 27, 2008 expressed an unqualified opinion thereon.

Ernst + Young LLP

San Jose, California
August 27, 2008

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

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 29, 2008, 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.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of SEZ, which is included in the June 29, 2008 consolidated financial statements of Lam Research Corporation and constituted approximately 27% of consolidated total assets as of June 29, 2008 and 2% of revenues for the year then ended. Our audit of internal control over financial reporting of Lam Research Corporation also did not include an evaluation of the internal control over financial reporting of SEZ.

In our opinion, Lam Research Corporation maintained, in all material respects, effective internal control over financial reporting as of June 29, 2008, 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 29, 2008 and June 24, 2007, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended June 29, 2008 of Lam Research Corporation and our report dated August 27, 2008 expressed an unqualified opinion thereon.

Ernst + Young LLP

San Jose, California
August 27, 2008

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

LAM RESEARCH CORPORATION

By /s/ Stephen G. Newberry
Stephen G. Newberry,
President and Chief Executive Officer

Dated: August 27, 2008

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Stephen G. Newberry and Martin B. Anstice, jointly and severally, his attorney-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Report of Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue thereof.

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 date indicated.

Signatures	Title	Date
/s/ Stephen G. Newberry Stephen G. Newberry	President and Chief Executive Officer, Director	August 27, 2008
/s/ Martin B. Anstice Martin B. Anstice	Senior Vice President, Chief Financial Officer, and Chief Accounting Officer	August 27, 2008
/s/ James W. Bagley James W. Bagley	Executive Chairman	August 27, 2008
/s/ Dr. Seiichi Watanabe Dr. Seiichi Watanabe	Director	August 27, 2008
/s/ David G. Arscott David G. Arscott	Director	August 27, 2008
/s/ Robert M. Berdahl Robert M. Berdahl	Director	August 27, 2008
/s/ Richard J. Elkus, Jr. Richard J. Elkus, Jr.	Director	August 27, 2008
/s/ Jack R. Harris Jack R. Harris	Director	August 27, 2008
/s/ Grant M. Inman Grant M. Inman	Director	August 27, 2008
/s/ Catherine P. Lego Catherine P. Lego	Director	August 27, 2008
/s/ Patricia S. Wolpert Patricia S. Wolpert	Director	August 27, 2008

LAM RESEARCH CORPORATION

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

Description	Balance At Beginning Of Period	Additions Charged To Costs And Expenses	Deductions Describe	Balance At End Of Period
YEAR ENDED JUNE 29, 2008				
Deducted from asset accounts:				
Allowance for doubtful accounts	$3,851,000	$255,000	$_4,000 (1)	$4,102,000
YEAR ENDED JUNE 24, 2007				
Deducted from asset accounts:				
Allowance for doubtful accounts	$3,822,000	$ 20,000	$ 9,000 (1)	$3,851,000
YEAR ENDED JUNE 25, 2006				
Deducted from asset accounts:				
Allowance for doubtful accounts	$3,865,000	$ 51,000	$94,000 (1)	$3,822,000

(1) $0.0 million, $0.0 million, and $0.1 million, of specific customer accounts written-off in fiscal 2008, 2007, and 2006, respectively.

LAM RESEARCH CORPORATION

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED JUNE 29, 2008
EXHIBIT INDEX

Exhibit	Description
3.1(22)	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 March 7, 2000.
3.2(46)	Bylaws of the Registrant, as amended, dated December 12, 2007.
3.3(22)	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock dated January 27, 1997.
4.2(1)*	Amended 1984 Incentive Stock Option Plan and Forms of Stock Option Agreements.
4.4(5)*	Amended 1991 Stock Option Plan and Forms of Stock Option Agreements.
4.8(35)*	Amended and restated 1997 Stock Incentive Plan.
4.11(18)*	Amended and restated 1996 Performance-Based Restricted Stock Plan.
4.12(34)*	Amended and restated 1999 Stock Option Plan.
4.13(34)*	Lam Research Corporation 1999 Employee Stock Purchase Plan, as amended.
4.14(39)*	Lam Research Corporation 2004 Executive Incentive Plan, as amended.
4.15(40)*	Lam Research Corporation 2007 Stock Incentive Plan, as amended.
10.1(38)	Asset Purchase Agreement dated October 5, 2006 by and among Lam Research Corporation, Bullen Ultrasonics, Inc., Eaton 122 Ltd., Bullen Semiconductor (Suzhou) Co., Ltd., Mary A. Bullen and Vicki Brown.
10.2(38)	First Amendment to Asset Purchase Agreement dated October 5, 2006 by and among Lam Research Corporation, Bullen Ultrasonics, Inc., Eaton 122 Ltd., Bullen Semiconductor (Suzhou) Co., Ltd., Mary A. Bullen and Vicki Brown.
10.3(2)	Form of Indemnification Agreement.
10.12(3)	ECR Technology License Agreement and Rainbow Technology License Agreement by and between Lam Research Corporation and Sumitomo Metal Industries, Ltd.
10.16(4)	License Agreement effective January 1, 1992 between the Lam Research Corporation and Tokyo Electron Limited.
10.30(6)	1996 Lease Agreement between Lam Research Corporation and the Industrial Bank of Japan, Limited, dated March 27, 1996.
10.35(7)	Agreement and Plan of Merger by and among Lam Research Corporation, Omega Acquisition Corporation and OnTrak Systems, Inc., dated as of March 24, 1997.
10.38(8)	Consent and Waiver Agreement between Lam Research Corporation and IBJTC Leasing Corporation-BSC, The Industrial Bank of Japan, Limited, Wells Fargo Bank, N.A., The Bank of Nova Scotia, and the Nippon Credit Bank, Ltd., dated March 28, 1997.
10.46(9)	Receivables Purchase Agreement between Lam Research Co., Ltd. and ABN AMRO Bank N.V., Tokyo Branch, dated December 26, 1997.
10.49(9)	Guaranty to the Receivables Purchase Agreement between Lam Research Co., Ltd. and ABN AMRO Bank N.V., Tokyo Branch, dated December 26, 1997.
10.50(10)	License Agreement between Lam Research Corporation and Trikon Technologies, Inc., dated March 18, 1998.

Exhibit	Description
10.51(10)	Loan Agreement between Lam Research Corporation and The Industrial Bank of Japan, Limited, dated March 30, 1998.
10.52(11)	Credit Agreement between Lam Research Corporation and Deutsche Bank AG, New York Branch and ABN AMRO Bank N.V., San Francisco Branch, dated April 13, 1998.
10.53(11)	First Amendment to Credit Agreement between Lam Research Corporation and ABN AMRO Bank N.V., San Francisco Branch, dated August 10, 1998.
10.58(12)	Loan Agreement between Lam Research Co., Ltd. and ABN AMRO Bank N.V., dated September 30, 1998.
10.59(12)	Guaranty to Loan Agreement between Lam Research Co., Ltd and ABN AMRO Bank N.V., dated September 30, 1998.
10.61(13)	Second Amendment to Credit Agreement between ABN AMRO BANK, N.V. and Lam Research Corporation, dated December 18, 1998.
10.62(13)	First Amendment to Guaranty between ABN AMRO BANK, N.V. and Lam Research Corporation, dated December 25, 1998.
10.63(13)	Supplemental Agreement of Receivables Purchase Agreement dated December 26, 1997 between ABN AMRO BANK, N.V. and Lam Research Corporation, dated December 25, 1998.
10.64(13)	Supplemental Agreement of Loan Agreement dated September 30, 1998 between ABN AMRO BANK, N.V. and Lam Research Corporation, dated December 25, 1998.
10.66(14)	Substitution Certificate for Loan Agreement dated September 30, 1998 between ABN AMRO BANK, N.V. and Lam Research Corporation, dated March 19, 1999.
10.67(15)	OTS Issuer Stock Option Master Agreement between Lam Research Corporation and Goldman Sachs & Co., and Collateral Appendix thereto, dated June 1999.
10.68(15)	Form of ISDA Master Agreement and related documents between Lam Research Corporation and Credit Suisse Financial Products, dated June 1999.
10.69(17)	The First Amendment Agreement between Lam Research Corporation and Credit Suisse Financial Products, dated August 31, 1999.
10.70(19)	Lease Agreement between Lam Research Corporation and Scotiabanc Inc., dated January 10, 2000.
10.71(19)	Participation Agreement between Lam Research Corporation, Scotiabanc Inc., and The Bank of Nova Scotia, dated January 19, 2000.
10.73(20)	Lease Agreement Between Lam Research Corporation and Cushing 2000 Trust, dated December 6, 2000.
10.74(20)	Participation Agreement Between Lam Research Corporation and Cushing 2000 Trust, Dated December 6, 2000.
10.75(21)	Indenture between Lam Research Corporation and LaSalle Bank, National Association, as Trustee, dated May 22, 2001.
10.76(21)	Registration Rights Agreement among Lam Research Corporation, Credit Suisse First Boston Corporation and ABN Amro Rothschild LLC, dated May 22, 2001.
10.77(23)	Warrant to Purchase Common Stock of Lam Research Corporation, dated December 19, 2001, issued to Varian Semiconductor Equipment Associates, Inc.
10.78(24)*	Promissory Note between Lam Research Corporation and Stephen G. Newberry dated May 8, 2001.
10.79(25)*	Amendment to Stock Option Grant for James W. Bagley dated October 16, 2002.

Exhibit	Description
10.80(26)	Amended and Restated Master Lease and Deed of Trust Between Lam Research Corporation and SELCO Service Corporation, dated March 25, 2003.
10.81(26)	Lease Supplement No. 1 Between Lam Research Corporation and SELCO Service Corporation, dated March 25, 2003.
10.82(26)	Participation Agreement Between Lam Research Corporation, SELCO Service Corporation and Key Corporate Capital Inc., dated March 25, 2003.
10.83(26)	Amendment to Participation Agreement Between Lam Research Corporation, Scotiabanc Inc. and The Bank of Nova Scotia, dated December 27, 2002.
10.84(26)	Amendment to Participation Agreement Between Lam Research Corporation, the Cushing 2000 Trust, Scotiabanc Inc, The Bank of Nova Scotia and Fleet National Bank, dated December 27, 2002.
10.85(26)*	Employment Agreement for Stephen G. Newberry, dated January 1, 2003.
10.86(27)	Amended and Restated Master Lease and Deed of Trust Between Lam Research Corporation and SELCO Service Corporation, dated as of June 1, 2003.
10.87(27)	Lease Supplement No. 1 Between Lam Research Corporation and SELCO Service Corporation, dated as of June 1, 2003.
10.88(27)	Lease Supplement No. 2 Between Lam Research Corporation and SELCO Service Corporation, dated as of June 1, 2003.
10.89(27)	Lease Supplement No. 3 Between Lam Research Corporation and SELCO Service Corporation, dated as of June 1, 2003.
10.94(27)	Participation Agreement Between Lam Research Corporation and SELCO Service Corporation, and Key Corporate Capital Inc., dated as of June 1, 2003.
10.95(27)*	Employment Agreement for Ernest Maddock, dated April 15, 2003.
10.96(28)*	Employment Agreement for Nicolas J. Bright, dated August 1, 2003.
10.97(32)	Second Amendment to Second Amended and Restated Uncommitted Insured Trade Receivables Purchase Agreement between ABN Amro Bank, N.V. and Lam Research Corporation, dated June 2, 2004.
10.98(32)	Amended and Restated Guaranty between ABN Amro Bank, N.V. and Lam Research Corporation, dated June 2, 2004.
10.99(32)*	Form of Nonstatutory Stock Option Agreement — Lam Research Corporation 1997 Stock Incentive Plan.
10.100(31)	Third Amended and Restated Uncommitted Insured Trade Receivables Purchase Agreement between Lam Research Corporation, Lam Research International SARL and ABN Amro Bank N.V., dated March 22, 2005.
10.101(31)	Third Amended and Restated Guaranty between Lam Research Corporation and ABN Amro Bank N.V., dated March 22, 2005.
10.102(36)	Form of Restricted Stock Unit Award Agreement (U.S. Agreement A) — Lam Research Corporation 1997 Stock Incentive Plan.
10.103(36)	Form of Restricted Stock Unit Award Agreement (non-U.S. Agreement I-A) — Lam Research Corporation 1997 Stock Incentive Plan.
10.104(37)	$350,000,000 Credit Agreement among Lam Research International SARL, as Borrower, The Several Lenders from Time to Time Parties Hereto, and ABN Amro Bank N.V., as Administrative Agent, dated June 16, 2006.
10.105(37)	Guarantee Agreement made by Lam Research Corporation in favor of ABN Amro Bank N.V., as Administrative Agent for the Lenders, dated June 16, 2006.

Exhibit	Description
10.106(42)*	Form of Restricted Stock Unit Award Agreement (U.S. Agreement) — Lam Research Corporation 2007 Stock Incentive Plan
10.107(43)	Form of Restricted Stock Unit Award Agreement — Outside Directors (U.S. Agreement) — Lam Research Corporation 2007 Stock Incentive Plan.
10.108(43)	Form of Restricted Stock Unit Award Agreement — Outside Directors (non-U.S. Agreement) — Lam Research Corporation 2007 Stock Incentive Plan.
10.109(43)	Summary of Compensation Arrangement with Nicolas J. Bright, effective as of March 1, 2007.
10.110(44)	Transaction Agreement dated December 10, 2007 by and between Lam Research Corporation and SEZ Holding AG
10.111(45)	Credit Agreement dated as of March 3, 2008 among Lam Research Corporation, as the Borrower, ABN Amro Bank N.V., as Administrative Agent, and the other Lenders Party thereto
10.112(45)	Unconditional Guaranty dated as of March 3, 2008 by Bullen Semiconductor Corporation to ABN AMRO Bank N.V.
10.113(45)	Security Agreement dated as of March 3, 2008 between Lam Research Corporation and ABN AMRO Bank N.V.
10.114(45)	Security Agreement dated as of March 3, 2008 between Bullen Semiconductor Corporation and ABN AMRO Bank N.V.
10.115(45)	Pledge Agreement dated as of March 3, 2008 among Lam Research Corporation and ABN AMRO Bank N.V.
10.116(41)*	Employment Agreement between James W. Bagley and Lam Research Corporation, dated December 11, 2006.
10.117(46)	Lease Agreement (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.118(46)	Pledge Agreement (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.119(46)	Closing Certificate and Agreement (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.120(46)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.121(46)	Lease Agreement (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.122(46)	Pledge Agreement (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.123(46)	Closing Certificate and Agreement (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.124(46)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.125(46)	Lease Agreement (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.126(46)	Pledge Agreement (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.

Exhibit	Description
10.127(46)	Closing Certificate and Agreement (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.128(46)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.129(46)	Lease Agreement (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.130(46)	Pledge Agreement (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.131(46)	Closing Certificate and Agreement (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.132(46)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.133(46)	Lease Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.134(46)	Pledge Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.135(46)	Closing Certificate and Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.136(46)	Agreement Regarding Purchase and Remarketing Options (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.137(46)	Construction Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.138(46)	Lease Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.139(46)	Pledge Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.140(46)	Closing Certificate and Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.141(46)	Agreement Regarding Purchase and Remarketing Options (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.142(46)	Construction Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.143	First Modification Agreement (Fremont Buildings #1, #2, #3, #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated April 3, 2008.
10.144	First Modification Agreement (Livermore Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated April 3, 2008.
10.145	Second Modification Agreement (Livermore Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated July 9, 2008.
10.146	First Modification Agreement (Livermore Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated July 9, 2008.
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)

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(1) Incorporated by reference to Post Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-8 (No. 33-32160) filed with the Securities and Exchange Commission on May 10, 1990.

(2) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 3, 1988.

(3) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 1989.

(4) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 1991.

(5) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 1995.

(6) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996.

(7) Incorporated by reference to Registrant's Report on Form 8-K dated March 31, 1997.

(8) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.

(9) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 1997.

(10) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.

(11) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1998.

(12) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998.

(13) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 1998.

(14) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q/A for the quarter ended March 31, 1999.

(15) Incorporated by reference to Registrant's Report on Form 8-K dated June 22, 1999.

(16) Incorporated by reference to Registrant's Report on Form S-8 dated November 5, 1998.

(17) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 26, 1999.

(18) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 26, 1999.

(19) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 26, 2000.

(20) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 24, 2000.

(21) Incorporated by reference to Registrant's Registration Statement on Form S-3 dated July 27, 2001.

(22) 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.

(23) Incorporated by reference to Registrant's Registration Statement on Form S-3 dated January 30, 2002.

(24) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 2002.

(25) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 29, 2002.

(26) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 30, 2003.

(27) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 29, 2003.

(28) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 28, 2003.

(29) Incorporated by reference to Appendix A of the Registrant's Proxy Statement filed on October 14, 2003.

(30) Incorporated by reference to Appendix B of the Registrant's Proxy Statement filed on October 14, 2003.

(31) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 27, 2005.

(32) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 27, 2004.

(33) Incorporated by reference to Registrant's Report on Form 8-K dated June 26, 2005.

(34) 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.

(35) Incorporated by reference to Registrant's Current Report on Form 8-K dated November 8, 2005.

(36) Incorporated by reference to Registrant's Current Report on Form 8-K dated February 6, 2006.

(37) Incorporated by reference to Registrant's Current Report on Form 8-K dated June 19, 2006.

(38) Incorporated by reference to Registrant's Current Report on Form 8-K dated October 10, 2006.

(39) Incorporated by reference to Registrant's Current Report on Form 8-K dated November 2, 2006.

(40) 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.

(41) Incorporated by reference to Registrant's Current Report on Form 8-K dated December 15, 2006. This exhibit was originally filed with the 8-K as Exhibit Number 10.1.

(42) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 24, 2006.

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

(44) Incorporated by reference to Registrant's Current Report on Form 8-K dated December 14, 2007.

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

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

* 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 International Sarl	Switzerland
Lam Research International B.V.	Netherlands
Lam Research GmbH	Germany
Lam Research Co., Ltd.	Japan
Lam Research (Shanghai) Co., Ltd.	China 2
Lam Research Service Co., Ltd.	China 1
Lam Research Ltd.	United Kingdom
Lam Research SAS	France
Lam Research Singapore Pte Ltd	Singapore
Lam Research Korea Limited	Korea
Lam Research S.r.l.	Italy
Lam Research (Israel) Ltd.	Israel
Lam Research Co., Ltd.	Taiwan
Lam Research B.V.	Netherlands
Lam Research (Ireland) Limited	Ireland
Bullen Semiconductor Corporation	Ohio, United States
Lam Research Semiconductor (Suzhou) Co., Ltd.	China
SEZ Holding AG	Switzerland
SEZ AG	Austria
SEZ Management GmbH	Austria
SEZ America Inc.	United States
SEZ Japan	Japan
SEZ Asia Pacific Pte. Ltd.	Singapore
SEZ Singapore Pte. Ltd.	Singapore
SEZ Korea Ltd.	Korea
SEZ China Ltd.	China
SEZ Taiwan Ltd.	Taiwan
SEZ D.O.O.	Slovenia
SEZ Slovakia S.T.O.	Slovakia

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 annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 we 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 annual 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 annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
    d) disclosed in this annual 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.
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 27, 2008

/s/ Stephen G. Newberry
Stephen G. Newberry
President and Chief Executive Officer

EXHIBIT 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION (PRINCIPAL FINANCIAL OFFICER)

I, Martin B. Anstice, certify that:

1. I have reviewed this annual report on Form 10-K of Lam Research Corporation;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 we 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 annual 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 annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
    d) disclosed in this annual 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.
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 27, 2008

/s/ Martin B. Anstice
Martin B. Anstice
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 29, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen G. Newberry, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 27, 2008

/s/ Stephen G. Newberry
Stephen G. Newberry
President and Chief Executive Officer

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 29, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Martin B. Anstice, 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 27, 2008

/s/ Martin B. Anstice
Martin B. Anstice
Senior Vice President, Chief Financial Officer
and Chief Accounting Officer

BOARD OF DIRECTORS

James W. Bagley
Executive Chairman

Stephen G. Newberry
President and Chief Executive Officer

David G. Arscott
General Partner,
Compass Technology Group

Robert M. Berdahl
President,
Association of American Universities

Richard J. Elkus, Jr.
Chairman,
Voyan Technology

Jack R. Harris
Chairman, HT, Inc., and
Executive Chairman, Metara, Inc.

Grant M. Inman
General Partner,
Inman Investment Management

Catherine P. Lego
General Partner,
The Photonics Fund, LLP,
and Member, Lego Ventures, LLC

Seiichi Watanabe
Executive Director,
TechGate Investment, Inc.

Patricia S. Wolpert
Owner,
Wolpert Consulting LLC

EXECUTIVE OFFICERS

Stephen G. Newberry
President and Chief Executive Officer

James W. Bagley
Executive Chairman

Martin B. Anstice
Executive Vice President and
Chief Operating Officer

Ernest E. Maddock
Senior Vice President and
Chief Financial Officer

Richard A. Gottscho, Ph.D.
Group Vice President and
General Manager, Etch Businesses

Abdi Hariri
Group Vice President,
Customer Support Business Group

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

Thomas J. Bondur
Vice President,
Global Field Operations

Jeffery Marks, Ph.D.
Vice President and General Manager,
Global Clean Business Group

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FAST to Customer Solutions™

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