Lam RESEARCH

2013 Annual Report

Driving technology into...

... the fabric of everyday life

- Collaborative **Partner**
- Trusted Supplier
- **Delivering** to Commitments
- Place of Opportunity
- **Values-Based** Culture
- Investing for **Profitable Growth**
- Delivering Shareholder Value

Lam Research has an established culture of delivering on the commitments we make to our customers and our stakeholders. In that context, we can take pride in our many accomplishments made throughout fiscal 2013. The year was highlighted by the successful integration of the Novellus acquisition within one year of close; the strengthening of our core businesses in etch, deposition, single-wafer clean, and customer services; and solid financial performance in the midst of transformative change for the company. These achievements position us well at an opportune time in our industry, as significant market expansion and growth prospects emerge over the next several years.

Lam and Novellus moved quickly and effectively to establish a single company culture, surmounting what can be the biggest challenge in merger integration and enabling us to hit the ground running on our target earnings accretion and cost synergy plans. Importantly, we achieved each of these committed objectives on or ahead of schedule.

In our product businesses, we maintained our desired market share position of number one or strong number two in each of our core market segments of etch, deposition, and single-wafer clean and took a number of significant steps that position us well for the future:

- In etch, we announced a key penetration with a leading-edge logic manufacturer that marks a significant milestone for the company: Lam Research is now in production with each of the world's top 10 semiconductor wafer fabrication equipment capital spenders in all of our core market segments.
- In deposition, we shipped the Company's 500th SABRE® system during the fiscal year, underscoring our market leadership in Copper Electrofill. We also expanded our positions in the important and growing advanced packaging market.
- And in single-wafer clean, we are preparing to launch our next-generation product that is designed to position Lam to compete for a broader set of applications, particularly in front-end processes. Customer evaluations of this product are underway and we are looking forward to its release.

Supporting these product areas is a customer services business that can contribute a quarter or more of Lam's annual revenue and plays a vital role in defining our competitive differentiation. This business is focused on our installed base, which today includes more than 30,000 semiconductor processing chambers. We are delivering value to our customers by optimizing the productivity and extendibility of their installed base of Lam equipment over the lifetime of their investment. During fiscal 2013, we enhanced our offerings across our now-expanded product set, and we expect customer services to be instrumental in supporting our growth over the next several years.

The financial results for fiscal 2013 marked a very successful first year as a combined company. Our revenue and shipments were up between 35 and 40 percent, both reaching record levels of $3.6 billion and $3.7 billion, respectively. This is very solid growth, particularly in light of our focus on integration and a challenging industry environment.

We ended the year with healthy cash and short-term investment balances of $2.5 billion and generated nearly $720 million in cash flows from operations, which was up from approximately $500 million in fiscal 2012. We have continued to balance reinvesting our cash and cash generation into the business with returns of capital to stockholders. We concluded our $1.6 billion share repurchase program in fiscal 2013, in line with the commitment we made when we announced the Novellus acquisition. Under the program, we retired approximately 44 million shares of common stock.

Virtually every leading-edge device is now made using Lam Research equipment.

Lam has a focused plan for continued strong growth over the next three years. The plan is rooted in an expectation for significant expansion in wafer fabrication equipment spending as consumer adoption of mobile electronics spurs semiconductor unit growth. These mobile devices require progressively smaller form factors, lower power consumption, and new feature-rich offerings, all of which are challenging our customers to achieve economic efficiency while producing devices with greater technical complexity. Assuming macroeconomic conditions remain stable, wafer fabrication equipment spending could rise from its current annual level in the $30 billion range to $35 billion or more over the next few years.

For Lam Research, these dynamics present market expansion and share growth opportunities on par or better than the industry average. To realize these opportunities, we are focused on creating value and differentiation by meeting our customers' diverse, complex needs. Our strategy is based on the following three themes:

1. *Capitalize on addressable market expansion opportunities*. We foresee up to $1 billion in annualized served market expansion opportunity as our customers address challenging new requirements through the implementation of technology advances including FinFET in logic, multiple patterning and 3D architectures in memory, and advanced packaging applications. Lam's strong product roadmap and technology expertise position us well for these opportunities.

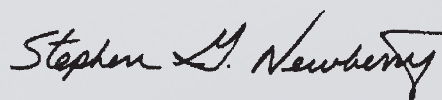
2. *Innovate through technology and productivity to drive share gains.* We are targeting market share growth across our etch, deposition, and clean businesses, with a sharp focus on collaborating with customers to develop fast, leading-edge solutions to their most critical challenges.

3. *Strengthen our competitiveness through our customer support and services business.* We are further strengthening Lam's value proposition throughout our customer services business by implementing initiatives that enable our customers to reduce running costs, optimize productivity, and maximize capital efficiency.

Execution of these strategies creates the potential for Lam Research to grow at a rate as much as twice that of the wafer fabrication equipment market over the next several years. We made positive progress towards these strategic objectives in fiscal 2013, having achieved our merger integration goals while positioning each of our product segments for the opportunities ahead. Based on our current outlook, we plan to gain 1 to 2 points of market share in both etch and deposition by the end of calendar year 2013 while defending our positions in single-wafer clean ahead of our next-generation product release. Our ability to realize our longer-term opportunities will be a function of the value we deliver to our customers, and our success will be measured in the value we deliver to our shareholders.

In closing, we extend our deepest gratitude to all of the stakeholders whose contributions are fundamental to the success of our business: our valued customers, our global employee organization, our trusted suppliers, and our supportive stockholders.

Sincerely,



Martin B. Anstice
President and Chief Executive Officer

Stephen G. Newberry
Chairman of the Board

September 3, 2013

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
San Jose, California

LEGAL COUNSEL

Jones Day
San Francisco, California

TRANSFER AGENT AND REGISTRAR

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

Computershare Trust Company, N.A.
P.O. Box 43006
Providence, RI 02940-3006
1.877.265.2630

Private Couriers/Registered Mail:
Computershare Trust Company, N.A.
250 Royall Street
Canton, MA 02021

TDD for Hearing Impaired:
1.800.952.9245

Foreign Shareowners:
1.781.575.2879

Website Address:
www.computershare.com/investor

STOCK LISTING

The Company's common stock is traded on the NASDAQ Global Select Market℠ under the symbol LRCX. Lam Research is an S&P 500® 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 9:30 a.m. Pacific Time on Thursday, November 7, 2013, at the Company's corporate headquarters.

CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

With the exception of historical facts, the statements contained in this Letter to Our Stockholders ("Letter") are forward-looking statements. Forward-looking statements are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. We have identified some, but not all, of the forward-looking statements in the Letter by use of future-oriented words and phrases such as "emerge", "for the future", "preparing", "expect", "could", "opportunities", "foresee", "targeting", "potential" and "plan". However, our identification of certain statements as forward-looking does not mean that other statements not specifically identified are not forward-looking. Forward-looking statements include, but are not limited to, statements that relate to: future changes in the company, market expansion and growth prospects, our positioning for future success, our plans for launching new products, our expectations for the prospects of our customer service business and for the expansion in wafer fabrication equipment spending, opportunities for market expansion and share growth, and our plans and strategies for the business. These statements are based on current expectations and are subject to risks, uncertainties, and changes in condition, significance, value and effect, including without limitation macroeconomic conditions, the actions of our competitors, political disruptions such as wars and terrorist events, government actions, technology changes and those discussed under the heading "Risk Factors" within Item 1A of our fiscal 2013 Form 10-K; under the heading "Cautionary Statement Regarding Forward-Looking Statements" at the beginning of Part I of the Form 10-K; and other documents we file from time to time with the Securities and Exchange Commission (SEC), such as our quarterly reports on Form 10-Q and current reports on Form 8-K. These risks, uncertainties and changes in condition, significance, value and effect could cause our actual results to differ materially from those expressed in this Letter and in ways that are not readily foreseeable. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Letter and are based on information currently and reasonably known to us. We do not undertake any obligation to update any forward-looking statements, or to release the results of any revisions to these forward-looking statements, to reflect the impact of anticipated or unanticipated events or circumstances that occur after the date of this Letter.

TRADEMARK INFORMATION

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

September 24, 2013

Dear Lam Research Stockholders,

We cordially invite you to attend, in person or by proxy, the Lam Research Corporation 2013 Annual Meeting of Stockholders. The annual meeting will be held on Thursday, November 7, 2013, at 9:30 a.m. pacific standard time in the Building CA1 Auditorium at the principal executive offices of Lam Research Corporation, which is located at 4650 Cushing Parkway, Fremont, California 94538.

At this year's annual meeting, stockholders will be asked to elect the nominees named in the attached proxy statement as directors to serve for the ensuing year, and until their respective successors are elected and qualified, cast an advisory vote on the compensation of our named executive officers ("Say on Pay") and ratify the appointment of the independent registered public accounting firm for fiscal year 2014. The Board of Directors recommends that you vote in favor of all three proposals. Management will not provide a business update during this meeting; please refer to our latest quarterly earnings report for our current outlook.

Please refer to the proxy statement for detailed information about the annual meeting and each of the proposals, as well as voting instructions. **Your vote is important, and we strongly urge you to cast your vote by the internet, phone or mail even if you plan to attend the meeting in person.**

Sincerely yours,

Lam Research Corporation

Stephen G. Newberry
Chairman of the Board

Notice of 2013 Annual Meeting of Stockholders

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

Date and Time Thursday, November 7, 2013
9:30 a.m. Pacific Standard Time

Place Lam Research Corporation
Building CA1 Auditorium
4650 Cushing Parkway
Fremont, California 94538

Items of Business

1. Election of directors to serve for the ensuing year, and until their respective successors are elected and qualified
2. Advisory vote on the compensation of our named executive officers ("Say on Pay")
3. Ratification of the appointment of independent registered public accounting firm for fiscal year 2014
4. Transact such other business that may properly come before the annual meeting (including any adjournment or postponement thereof)

Record Date

Only stockholders of record at the close of business on September 9, 2013, or the "Record Date," are entitled to notice of and to vote at the annual meeting.

Voting

Please vote as soon as possible, even if you plan to attend the annual meeting in person. You have three options for submitting your vote before the annual meeting: by the internet, phone or mail. The proxy statement and the accompanying proxy card provide detailed voting instructions.

Internet Availability of Proxy Materials

Our Notice of 2013 Annual Meeting of Stockholders, Proxy Statement and Annual Report to Stockholders are available on the Lam Research website at *http://investor.lamresearch.com* and at *www.proxyvote.com*.

By Order of the Board of Directors

Sarah A. O'Dowd
Secretary

This proxy statement is first being made available and/or mailed to our stockholders on or about September 24, 2013.

LAM RESEARCH CORPORATION
Proxy Statement for 2013 Annual Meeting of Stockholders

TABLE OF CONTENTS

General Information 1
- Information Concerning Solicitation and Voting 1
- Other Meeting Information 2

Proposal No. 1: Election of Directors 5
- Nominees for Director 5
- Security Ownership of Certain Beneficial Owners and Management 13
- Corporate Governance 15
- Director Compensation 20
- Section 16(a) Beneficial Ownership Reporting Compliance 23
- Executive Compensation and Other Information 23
  - Compensation Discussion and Analysis 23
    - I. Executive Summary 24
    - II. Executive Compensation Governance and Procedures 28
    - III. Primary Components of Named Executive Officer Compensation; Calendar Year 2012 Compensation Payouts; Calendar Year 2013 Compensation Targets and Metrics 30
    - IV. Tax and Accounting Considerations 41
  - Compensation Committee Report 42
  - Compensation Committee Interlocks and Insider Participation 42
  - Executive Compensation Tables 42
- Securities Authorized for Issuance under Equity Compensation Plans 51

Proposal No. 2: Advisory Vote on the Compensation of Our Named Executive Officers ("Say on Pay") 52

Proposal No. 3: Ratification of the Appointment of Independent Registered Public Accounting Firm For Fiscal Year 2014 52
- Audit Committee Report 53
- Relationship with Independent Registered Public Accounting Firm 53
- Certain Relationships and Related Party Transactions 54
- Other Matters 54

General Information

Information Concerning Solicitation and Voting

Our board of directors solicits your proxy for the 2013 Annual Meeting of Stockholders and any adjournment or postponement of the meeting, for the purposes described in the "Notice of 2013 Annual Meeting of Stockholders." The table below shows important details about the annual meeting and voting. We use the terms "Lam Research," "Lam," the "Company," "we," "our," and "us" in this proxy statement to refer to Lam Research Corporation, a Delaware corporation.

Record Date

Only stockholders of record at the close of business on September 9, 2013, or the "Record Date," are entitled to receive notice of and to vote at the annual meeting.

Shares Outstanding

162,092,907 shares of common stock were outstanding as of the Record Date.

Quorum

A majority of shares outstanding on the Record Date constitutes a quorum. A quorum is required to transact business at the annual meeting.

Inspector of Elections

The Company will appoint an inspector of elections to determine whether a quorum is present. The inspector will also tabulate the votes cast by proxy or at the annual meeting.

Effect of Abstentions and Broker Non-Votes

Shares voted "abstain" and broker non-votes (shares held by brokers that do not receive voting instructions from the beneficial owner of the shares, and do not have discretionary authority to vote on a matter) will be counted as present for purposes of determining whether we have a quorum. For purposes of voting results, abstentions will not be counted with respect to the election of directors but will have the effect of "no" votes with respect to other proposals, and broker non-votes will not be counted with respect to any proposal.

Voting by Proxy

Stockholders may vote by internet, phone, or mail, per the instructions on the accompanying proxy card.

Voting at the Meeting

Stockholders can vote in person during the meeting. Stockholders of record will be on a list held by the inspector of elections. Each beneficial owner (an owner who is not the record holder of their shares) must obtain a proxy from the beneficial owner's brokerage firm, bank, or the stockholder of record holding such shares for the beneficial owner, and present it to the inspector of elections with a ballot. Voting in person by a stockholder as described here will replace any previous votes of that stockholder submitted by proxy.

Changing Your Vote

Stockholders of record may change their votes by revoking their proxies. This may be done at any time before the polls close by (a) submitting a later-dated proxy by the internet, telephone or mail, or (b) submitting a vote in person at the annual meeting. Before the annual meeting, stockholders of record may also deliver voting instructions to our Secretary, Lam Research Corporation, 4650 Cushing Parkway, Fremont, California 94538. If a beneficial owner holds shares through a bank or brokerage firm, or another stockholder of record, the beneficial owner must contact the stockholder of record in order to revoke any prior voting instructions.

Voting Instructions

If a stockholder completes and submits proxy voting instructions, the people named on the proxy card as proxy holders, or the "Proxy Holders," will follow the stockholder's instructions. If a stockholder submits proxy voting instructions but does not include voting instructions for each item, the Proxy Holders will vote as the board recommends on each item for which the stockholder did not include an instruction. The Proxy Holders will vote on any other matters properly presented at the annual meeting in accordance with their best judgment.

Voting Results

We will announce preliminary results at the annual meeting. We will report final voting results at *http://investor.lamresearch.com* and in a Form 8-K to be filed shortly after the annual meeting.

Continues on next page ▸

Availability of Proxy Materials

This proxy statement and the accompanying proxy card and 2013 Annual Report will be mailed to stockholders entitled to vote at the annual meeting who have designated a preference for a printed copy beginning on September 24, 2013. Stockholders who previously chose to receive proxy materials electronically were sent an email with instructions on how to access this year's proxy materials and the proxy voting site.

We have also provided our stockholders access to our proxy materials over the internet in accordance with rules and regulations adopted by the United States Securities and Exchange Commission, or the "SEC." These materials are available on our website at *http://investor.lamresearch.com* and at *www.proxyvote.com*. We will furnish, without charge, a printed copy of these materials and our 2013 Annual Report (including exhibits) on request by phone (510-572-1615), by mail (to Investor Relations, Lam Research Corporation, 4650 Cushing Parkway, Fremont, California 94538), or by email (to *investor.relations@lamresearch.com*).

A Notice of Internet Availability of Proxy Materials will be mailed beginning on September 24, 2013 to all stockholders entitled to vote at the meeting. The notice will have instructions for stockholders on how to access our proxy materials through the internet and how to request that a printed copy of the proxy materials be mailed to them. The notice will also have instructions on how to elect to receive all future proxy materials electronically or in printed form. If you choose to receive future proxy materials electronically, you will receive an email each year with instructions on how to access the proxy materials and proxy voting site.

Proxy Solicitation Costs

The Company will bear the cost of all proxy solicitation activities. Our directors, officers and other employees may solicit proxies personally or by telephone, email or other communication means, without any cost to Lam Research. In addition, we have retained AST Phoenix Advisors to assist in obtaining proxies by mail, facsimile or email from brokers, bank nominees and other institutions for the annual meeting. The estimated cost of such services is $8,500 plus out-of-pocket expenses. AST Phoenix Advisors may be contacted at 6201 15th Avenue, 3rd Floor, Brooklyn, New York, 11219. We are required to request that brokers and nominees who hold stock in their names furnish our proxy materials to the beneficial owners of the stock, and we must reimburse these brokers and nominees for the expenses of doing so in accordance with statutory fee schedules.

Other Meeting Information

Annual Meeting Admission

All stockholders entitled to vote as of the Record Date are entitled to attend the annual meeting. Admission of stockholders will begin at 9:15 a.m. pacific standard time on November 7, 2013. Any stockholders interested in attending the annual meeting should be prepared to present government-issued photo identification, such as a valid driver's license or passport, and verification of ownership of Company common stock or proxy status as of the Record Date for admittance. For stockholders of record as of the Record Date, proof of ownership as of the Record Date will be verified prior to admittance into the annual meeting. For stockholders who were not stockholders as of the Record Date but hold shares through a bank, broker or other nominee holder, proof of beneficial ownership as of the Record Date, such as an account statement or similar evidence of ownership, will be verified prior to admittance into the annual meeting. For proxy holders, proof of valid proxy status will also be verified prior to admittance into the annual meeting. Stockholders and proxy holders will be admitted to the annual meeting if they comply with these procedures. Information on how to obtain directions to attend the annual meeting and vote in person is available on the Lam Research website at *http://investor.lamresearch.com.*

Voting on Proposals

Pursuant to Proposal No. 1, board members will be elected at the annual meeting to fill eleven seats on the board to serve for the ensuing year, and until their respective successors are elected and qualified, under a "majority vote" standard. The majority voting standard means that, even though there are eleven nominees for the eleven board seats, a nominee will be elected only if he or she receives an affirmative "for" vote from stockholders owning, as of the Record Date, at least a majority of the shares present and voted at the meeting in such nominee's election by proxy or in person. If an incumbent fails to receive the required majority, his or her previously submitted resignation will be promptly considered by the board. Each stockholder may cast one vote ("for" or "withhold"), per share held, for each of the eleven nominees. Stockholders may not cumulate votes in the election of directors.

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

If a stockholder votes by means of the proxy solicited by this proxy statement and does not instruct the Proxy Holders how to vote, the Proxy Holders will vote: "FOR" all individuals nominated by the board; "FOR" approval, on an advisory basis, of the compensation of our named executive officers; and "FOR" the ratification of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2014.

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

Voting by 401(k) Plan Participants

Employee participants in Lam's Savings Plus Plan, Lam Research 401(k) and the Novellus Systems, Inc. ("Novellus") 401(k) Plan, or the "401(k) Plans," who held Lam common stock in their personal 401(k) Plan accounts as of the Record Date will receive this proxy statement, so that each participant may vote, by proxy, his or her interest in Lam's common stock as held by the 401(k) Plans. The 401(k) Plan trustees, or the Company's Savings Plus Plan, Lam Research 401(k) Committee as the administrator of the 401(k) Plans, will aggregate and vote proxies in accordance with the instructions in the proxies of employee participants that they receive.

Stockholder Accounts Sharing the Same Last Name and Address

To reduce the expense of delivering duplicate proxy materials to stockholders who may have more than one account holding Lam Research stock but who share the same address, we have adopted a procedure approved by the SEC called "householding." Under this procedure, stockholders of record who have the same address and last name will receive only one copy of our proxy statement and annual report unless one of the stockholders notifies our investor relations department that he or she wants to receive separate copies. This procedure reduces duplicate mailings and therefore saves printing and mailing costs, as well as natural resources. Stockholders who participate in householding will continue to have access to all proxy materials at *http://investor.lamresearch.com*, as well as the ability to submit separate proxy voting instructions for each account through the internet or by phone.

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

Stockholder-Initiated Proposals and Nominations for 2014 Annual Meeting

Proposals submitted under SEC rules for inclusion in the Company's proxy statement. Stockholder-initiated proposals (other than director nominations) may be eligible for inclusion in our proxy statement for next year's 2014 annual meeting (in accordance with SEC Rule 14a-8) and for consideration at the 2014 annual meeting. The Company must receive a stockholder proposal no later than May 27, 2014 for the proposal to be eligible for inclusion. Any stockholder interested in submitting a proposal or nomination is advised to contact legal counsel familiar with the detailed securities law requirements for submitting proposals or nominations for inclusion in a company's proxy statement.

Proposals and nominations under Company bylaws. Stockholders may also submit proposals for consideration, and nominations of director candidates for election, at the annual meeting by following certain requirements set forth in our bylaws. The current applicable provisions of our bylaws are described below. Proposals will not be eligible for inclusion in the Company's proxy statement unless they are submitted in compliance with then applicable SEC rules; however, they will be presented for discussion at the annual meeting if the requirements established by our bylaws for stockholder proposals and nominations have been satisfied. Under current SEC rules, stockholder nominations for directors are not eligible for inclusion in the Company's proxy materials.

Our bylaws establish requirements for stockholder proposals and nominations to be discussed at the annual meeting even though they are not included in our proxy statement. Assuming that the 2014 annual meeting takes place at roughly the same date next year as the 2013 annual meeting (and subject to any change in

Continues on next page ▸

our bylaws—which would be publicly disclosed by the Company—and to any provisions of then-applicable SEC rules), the principal requirements for the 2014 annual meeting would be as follows:

For proposals and for nominations:

- A stockholder of record, or "the Stockholder," must submit the proposal or nomination in writing; it must be received by the secretary of the Company no earlier than July 11, 2014, and no later than August 10, 2014;
- The Stockholder's notice to the secretary of a proposal or nomination must state for each Stockholder and beneficial owner of Company common stock, if any, on behalf of whom the proposal or nomination is being made, or a "Beneficial Owner:"
  - the name and record address of the Stockholder and the Beneficial Owner;
  - the class, series and number of shares of capital stock of the Company that are owned beneficially or of record by the Stockholder and the Beneficial Owner;
  - a description of any options, warrants, convertible securities, or similar rights held by the Stockholder or the Beneficial Owner with respect to the Company's stock, and any other opportunities by the Stockholder or the Beneficial Owner to profit or share in any profit derived from any increase or decrease in the value of shares of the Company, including through a general or limited partnership or ownership interest in a general partner;
  - a description of any proxies, contracts, or other voting arrangements to which the Stockholder or the Beneficial Owner is a party concerning the Company's stock;
  - a description of any short interest held by the Stockholder or the Beneficial Owner in the Company's stock;
  - a description of any rights to dividends separated or separable from the underlying shares of the Company to which the Stockholder or the Beneficial Owner are entitled;
  - any other information relating to the Stockholder or the Beneficial Owner that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, or the "Exchange Act," and the rules and regulations pursuant thereto; and
  - a statement whether or not the Stockholder or the Beneficial Owner will deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of voting power of all of the shares of capital stock of the Company required under applicable law to carry the proposal or, in the case of nominations, at least the percentage of voting power of all of the shares of capital stock of the Company reasonably believed by the Stockholder or the Beneficial Owner, as the case may be, to be sufficient to elect the nominee or nominees proposed to be nominated by the Stockholder or Beneficial Owner under a majority voting standard.

Additionally, for *nominations*, the notice must:

- set forth, as to each person whom the Stockholder proposes to nominate for election or reelection as a director, all information relating to such person as would be required to be disclosed in solicitations of proxies for the election of such nominees as directors pursuant to Regulation 14A under the Exchange Act;
- be accompanied by a written consent of each proposed nominee to be named as a nominee and to serve as a director if elected; and
- be accompanied by a statement whether such person, if elected, intends to tender, promptly following such person's election or reelection, an irrevocable conditional resignation effective upon such person's failure to receive the required vote for reelection or to be renominated by the board at the next meeting at which such person would face reelection and upon acceptance of such resignation by the board, in accordance with our corporate governance guidelines.

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

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

Proposal No. 1 Election of Directors

Nominees for Director

A board of eleven directors is to be elected at the 2013 annual meeting. In general, the eleven nominees who receive the highest number of "for" votes will be elected. However, any nominee who fails to receive affirmative approval from holders of a majority of the votes cast in such nominee's election at the annual meeting, either by proxy or in person, will not be elected to the board, even if he or she is among the top eleven nominees in total "for" votes. This requirement reflects the majority vote provisions implemented by the Company in November 2009. The term of office of each person elected as a director will be for the ensuing year, and until his or her successor is elected and qualified.

Unless otherwise instructed, the Proxy Holders will vote the proxies received by them for the eleven nominees named below, each of whom is currently a director of the Company. The proxies cannot be voted for more than eleven nominees, whether or not there are additional nominees. If any nominee of the Company should decline or be unable to serve as a director as of the time of the annual meeting, and unless otherwise instructed, the proxies will be voted for any substitute nominee designated by the present board of directors to fill the vacancy. The Company is not aware of any nominee who will be unable, or will decline, to serve as a director.

The below nominees for reelection have been nominated for election to the board of directors in accordance with the criteria and procedures discussed below in "*Corporate Governance*."

In addition to the below biographical information concerning each board nominee's specific experience, attributes, positions and qualifications and age as of September 1, 2013, we believe that each of our nominees, while serving as a director and/or officer of the Company, has devoted adequate time to the board of directors and performed his or her duties with critical attributes such as honesty, integrity, wisdom, and an adherence to high ethical standards. Each nominee has demonstrated strong business acumen, an ability to make independent analytical inquiries, an ability to understand the Company's business environment, and an ability to exercise sound judgment, as well as a commitment to the Company and its core values. We believe the nominees have an appropriate diversity and interplay of viewpoints, skills and experiences that will encourage a robust decision-making process for the board.

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

Continues on next page ▸

Martin B. Anstice
Director since
February 2012

Martin B. Anstice, age 46, has served as the Company's President and Chief Executive Officer since January 2012. Mr. Anstice joined the Company 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. He was appointed Executive Vice President and Chief Operating Officer in September 2008 and President in December 2010. Prior to joining the Company, Mr. Anstice held various finance positions from 1988 to 1999 at Raychem Corporation, a global materials science company. Subsequent to the acquisition of Raychem by Tyco International, a global provider of engineered electronic components, network solutions and wireless systems, he assumed responsibilities supporting mergers and acquisition activities of Tyco Electronics. Mr. Anstice is an Associate member of the Institute of Chartered Management Accountants in the United Kingdom.

The board has concluded that Mr. Anstice is qualified to serve as a director of the Company because of his experience in the semiconductor equipment industry, including as current President, Chief Executive Officer and a director of the Company, past President and Chief Operating Officer, and past Chief Financial Officer of the Company, as well as his strong leadership and prior experience as a corporate executive.

Eric K. Brandt
Director since
September 2010

Eric K. Brandt, age 51, serves as Executive Vice President and Chief Financial Officer of Broadcom Corporation, a global supplier of semiconductor devices, a role in which he has served since joining Broadcom in March 2007. From September 2005 to March 2007, Mr. Brandt served as President and Chief Executive Officer of Avanir Pharmaceuticals, Inc., a pharmaceutical company. Prior to Avanir Pharmaceuticals, Mr. Brandt was Executive Vice President-Finance and Technical Operations and Chief Financial Officer of Allergan Inc., a global specialty pharmaceutical company, where he also held a number of other senior positions following his arrival there in May 1999.

Mr. Brandt has served as a member of the board of directors and a member of the committee responsible for compensation of Dentsply International, Inc., a manufacturer and distributor of dental product solutions, since 2004.

He previously served on the board of directors of Vertex Pharmaceuticals, Inc., a pharmaceutical company, where he was chair of the audit committee, from 2002 to 2009, and Avanir Pharmaceuticals from 2005 to 2007.

Mr. Brandt received a B.S. degree in chemical engineering from the Massachusetts Institute of Technology and an M.B.A. degree from the Harvard Graduate School of Business.

The board has concluded that Mr. Brandt is qualified to serve as a director of the Company because of his financial expertise including as an active chief financial officer of a publicly traded company that is a customer of our customers, his experience in the semiconductor industry and his service on other boards of directors.

Michael R. Cannon
Director since
February 2011

Michael R. Cannon, age 60, is the General Partner of MRC & LBC Partners, LLC, a private management consulting company. From February 2007 until his retirement in January 2009, Mr. Cannon served as President of Global Operations of Dell Inc., a computer systems manufacturer and services provider, and from January 2009 to January 2011, he served as a consultant to Dell. Prior to joining Dell, he was President and Chief Executive Officer of Solectron Corporation, an electronic manufacturing services company, from January 2003 to February 2007. From July 1996 to January 2003, Mr. Cannon served as President and Chief Executive Officer of Maxtor Corporation, a disk drive and storage systems manufacturer. Prior to joining Maxtor, Mr. Cannon held senior management positions at International Business Machines Corp. (IBM), a global services, software and systems company.

Mr. Cannon has served as a member of the board of directors of Adobe Systems Inc., a diversified software company, since 2003, where he has been a member of the audit committee; Seagate Technology Public Limited, a disk drive and storage solutions company, since February 2011, where he has been a member of the nominations and governance committee and finance committee; and Dialog Semiconductor, a mixed signal integrated circuits company, since February 2013, where he has been a member of the nominations committee.

Mr. Cannon previously served on the board of directors of Elster Group SE, a precision metering and smart grid technology company, from October 2010 until the company was acquired in August 2012; Solectron Corporation, an electronic manufacturing services company, from January 2003 to January 2007; and Maxtor Corporation, a disk drive and storage solutions company, from July 1996 until Seagate acquired Maxtor in May 2006.

He studied mechanical engineering at Michigan State University and completed the Advanced Management Program at the Harvard Graduate School of Business.

The board has concluded that Mr. Cannon is qualified to serve as a director of the Company because of his experience as a director on other public company boards, his experience in leadership roles at a public corporation that is a customer of our customers, and his industry and technology knowledge.

Continues on next page ▸

Youssef A. El-Mansy
Director since
June 2012

Youssef A. El-Mansy, age 68, is the retired Vice President, Director of Logic Technology Development, at Intel Corporation, a leading producer of microchips, computing and communications products, where he was responsible for managing technology development, the processor design center for Intel's Technology and Manufacturing Group and two wafer manufacturing facilities. Dr. El-Mansy joined Intel in 1979 and led microprocessor technology development at Intel for 20 years.

Dr. El-Mansy previously served on the board of directors of Novellus Systems, Inc., from April 2004 until the company was acquired by Lam Research in June 2012, and Zygo Corporation, an optical system designer and manufacturer, from July 2004 to June 2009.

Dr. El-Mansy is a Fellow of the Institute of Electrical and Electronics Engineers, or "IEEE," and has been awarded the 2004 IEEE Frederik Philips Award for leadership in developing state-of-the-art logic technologies and the 2013 IEEE Robert Noyce Medal for establishing a highly effective Research-Development-Manufacturing methodology that led to industry leadership in logic technology.

Dr. El-Mansy holds B.S. and M.S. degrees in electronics and communications from Alexandria University in Egypt and a Ph.D. degree in electronics from Carleton University in Ottawa, Canada.

The board has concluded that Dr. El-Mansy is qualified to serve as a director of the Company because of his more than 30 years of experience as an executive focused on the manufacturing of technological devices and components for a major semiconductor manufacturer; his understanding of the Company's technologies; his knowledge of the business and operations of Novellus, resulting from his service as a director of Novellus since 2004; and his public company experience as a director and member of a compensation committee of another publicly traded company.

Christine A. Heckart
Director since
April 2011

Christine A. Heckart, age 47, is the Executive Vice President, Strategy, Marketing, People and Systems of ServiceSource International Inc., a service revenue management company, a role in which she has served since May 2013. Prior to her promotion she was the Chief Marketing Officer since July 2012. From February 2010 to May 2012, she was the Chief Marketing Officer at NetApp, Inc., a data storage and management solutions provider. Ms. Heckart served as General Manager for the TV, video and music business of Microsoft Corporation, a developer of software, services, and hardware, from 2005 to 2010 and led global marketing at Juniper Networks, Inc., a provider of network infrastructure solutions, from 2002 to 2005. She was President at TeleChoice, Inc., a consulting firm specializing in business and marketing strategies, from 1995 to 2002.

Ms. Heckart holds a B.A. degree in economics from the University of Colorado at Boulder.

The board has concluded that Ms. Heckart is qualified to serve as a director of the Company because of her experience in leadership roles at public corporations, her knowledge of the electronics industry and her strong marketing background.

Grant M. Inman
Director since
August 1981

Grant M. Inman, age 71, is the founder and General Partner of Inman Investment Management, a venture investment firm formed in 1998. Prior to 1998, he co-founded and served as General Partner of Inman & Bowman, a venture capital firm formed in 1985. Mr. Inman was a general partner of the investment banking firm Hambrecht & Quist from 1980 to 1985.

Mr. Inman has served as a member of the board of directors of Paychex, Inc., a payroll and human resources outsourcing services company, since 1983, where he serves as a member of the audit committee and the governance and compensation committee and is the chairman of the investment committee. He is also a Trustee of The University of California, Berkeley Foundation.

He previously served on the board of directors of Wind River Systems, Inc., a developer of operating systems, middleware and software development tools, from June 1999 to July 2009.

Mr. Inman holds a B.A. degree in economics from the University of Oregon and an M.B.A. degree from the University of California, Berkeley.

The board has concluded that Mr. Inman is qualified to serve as a director of the Company because of his prior service as a director of the Company, his industry knowledge, his extensive experience on other boards (including as chairman of audit, compensation and nominating and governance committees), and the diverse perspective he brings from his venture investment experience.

Continues on next page ▶

Catherine P. Lego
Director since
January 2006

Catherine P. Lego, age 56, is the founder of Lego Ventures LLC, a consulting services firm for early stage electronics companies, formed in 1992. From December 1999 to December 2009, she was the General Partner of The Photonics Fund, LLP, an early stage venture capital investment firm focused on investing in components, modules and systems companies for the fiber optics telecommunications market, which she founded. Ms. Lego was a general partner at Oak Investment Partners, a venture capital firm, from 1981 to 1992. Prior to Oak Investment Partners, she practiced as a Certified Public Accountant with Coopers & Lybrand, an accounting firm.

Ms. Lego has served as a member of the board of directors and as the chair of the audit committee of SanDisk Corporation, a global developer of flash memory storage solutions, since 2004 and as a director from 1989 to 2002. She has also served as a member of the board of directors, the nominating and governance committee and the compensation committee of Fairchild Semiconductor International Inc., a fabricator of power management devices, since August 2013.

She previously served on the board of directors of the following public companies: ETEC Corporation, a producer of electron beam lithography tools, from 1991 through 1997; Uniphase Corporation (presently JDS Uniphase Corporation), a designer and manufacturer of components and modules for the fiber optic based telecommunications industry and laser-based semiconductor defect examination and analysis equipment, from 1994 until 1999, when it merged with JDS-Fitel; Zitel Corporation, an information technology company, from 1995 to 2000; and Micro Linear Corporation, a fabless analog semiconductor company. Ms. Lego also served as a member of the board of directors and as the chair of the audit committee of the Cosworth Group, a private United Kingdom-based precision engineering products and services company, from March 2011 to June 2013; StrataLight Communications, Inc., a private fiber transmission subsystems developer, from September 2007 to January 2009; and WJ Communications, Inc., a broadband communications company, from October 2004 to May 2008.

She received a B.A. degree in economics and biology from Williams College and an M.S. degree in accounting from the New York University Leonard N. Stern School of Business.

The board has concluded that Ms. Lego is qualified to serve as a director of the Company because of her prior service on the board, her substantial accounting and financial expertise, her knowledge of the electronics industry and the perspective of companies that are customers of our customers, and experience on other boards, including her current service as chairman of the audit committee of SanDisk.

Stephen G. Newberry
Director since
June 2005

Stephen G. Newberry, age 59, has served as the Chairman of the Company's board since November 2012. He served as the Company's Vice Chairman from December 2010 to November 2012, Chief Executive Officer from June 2005 to January 2012 and President from July 1998 to December 2010. Mr. Newberry joined the Company in August 1997 as Executive Vice President, a role in which he served until July 1998, and Chief Operating Officer, a role in which he served until June 2005. Prior to joining the Company, Mr. Newberry held various executive positions at Applied Materials, Inc. during his 17-year tenure there, including as Group Vice President of Global Operations and Planning.

Mr. Newberry has served as a member of the board of directors of Nanometrics Incorporated, a provider of process control metrology and inspection systems, since May 2011; Splunk Inc., a software platform company for real-time operational intelligence, since January 2013, and Semiconductor Equipment and Materials International, or "SEMI," a global semiconductor industry trade association, since July 2004.

Mr. Newberry previously served on the board of directors of Amkor Technology, Inc., a provider of outsourced semiconductor packaging assembly and test services, from March 2009 to May 2011 and Nextest Systems Corporation, a developer of automated test equipment systems for the semiconductor industry, from 2000 to 2008.

Mr. Newberry received a B.S. degree in ocean engineering from the U.S. Naval Academy and graduated from the Program for Management Development at the Harvard Graduate School of Business.

The board has concluded that Mr. Newberry is qualified to serve as a director of the Company because of his 30 years' experience in the semiconductor equipment industry, his comprehensive understanding of the Company and its products, markets, and strategies gained through his role as an executive of our Company, including as our Chief Executive Officer, his active role in the semiconductor industry's trade association, and his strong leadership and operations expertise.

Krishna C. Saraswat
Director since
June 2012

Krishna C. Saraswat, age 66, has served as the Rickey/Nielsen Professor in the School of Engineering of Stanford University since 2004. He has also served as a Professor of Electrical Engineering and a Professor of Material Science and Engineering at Stanford University since 1983.

Dr. Saraswat previously served on the board of directors of Novellus Systems, Inc. from February 2011 until the company was acquired by Lam Research in June 2012.

Dr. Saraswat, an IEEE Life Fellow, received a B.E. degree in electronics in 1968 from the Birla Institute of Technology and Science in Pilani, India, and M.S. and Ph.D. degrees in electrical engineering in 1969 and 1974, respectively, from Stanford University. At Stanford University, he has been engaged in research on new and innovative materials, structures, and process technology of silicon, germanium and III-V devices and interconnects for VLSI, nanoelectronics and solar cells.

The board has concluded that Dr. Saraswat is qualified to serve as a director of the Company because of his diverse and extensive experience in research and development of materials, structures and process technology directly related to our industry; his experience as a professor studying and teaching electrical engineering in those areas; his strong academic credentials, including his recognition as a recipient of numerous awards and his publication of more than 650 technical papers; and his experience as a director of Novellus since 2011.

Continues on next page ▶

William R. Spivey
Director since
June 2012

William R. Spivey, age 66, from July 2000 to September 2001, was President and Chief Executive Officer of Luminent, Inc., a producer of fiber optic components. From October 1997 to July 2000, he was Group President, Network Products Group of Lucent Technologies, a producer of world-wide communications products. Previously he held senior executive positions at AT&T Microelectronics, a communications company, and Tektronix, Inc., a provider of communications network management and diagnostic solutions.

Dr. Spivey has served as a member of the board of directors of Cascade Microtech, Inc., a developer of precision electrical measurement and test of advanced semiconductor devices, since 1998, where he chairs the compensation committee and is a member of the audit committee; and Raytheon Company, a prime contractor on a broad portfolio of defense and related programs for government customers, since 1999, where he chairs the compensation committee and is a member of the governance and nominating committee and a former member of the audit committee.

He previously served on the board of directors of Novellus Systems, Inc. from May 1998 until the company was acquired by Lam Research in June 2012, where he was lead independent director and chairman of the nominating and governance committee and a member of the audit committee; Laird PLC, a global provider of products and technology solutions, from 2002 to 2012, where he was a member of the audit committee and the compensation committee; ADT Telecommunications Inc., a supplier of networking products and systems, from 2004 to 2010, where he served as lead independent director and on the audit and governance committees; and Lyondell Chemical Company, a raw materials and technology coatings industry supplier, from 2000 until 2007, where he served as chairman of the governance committee and a member of the compensation committee.

Dr. Spivey holds a B.S. degree in physics from Duquesne University, a Masters degree in physics from Indiana University of Pennsylvania and a Ph.D. degree in management from Walden University.

The board has concluded that Dr. Spivey is qualified to serve as a director of the Company because of his managerial experience at several technology companies; his service as a director of multiple public companies; his experience as lead independent director and audit, compensation and nominating and governance committee member; and his service as a director of Novellus since 1998.

Abhijit Y. Talwalkar
Director since
February 2011

Abhijit Y. Talwalkar, age 49, has been the President and Chief Executive Officer of LSI Corporation, a leading provider of silicon, systems and software technologies for the storage and networking markets, since 2005. Prior to joining LSI, Mr. Talwalkar was employed by Intel Corporation, a microprocessor manufacturer, from 1993 to 2005. At Intel, he held a number of senior management positions, including as Corporate Vice President and Co-General Manager of the Digital Enterprise Group, which is comprised of Intel's business client, server, storage and communications business, and as Vice President and General Manager for the Intel Enterprise Platform Group, where he focused on developing, marketing, and supporting Intel business strategies for enterprise computing. Prior to joining Intel, Mr. Talwalkar held senior engineering and marketing positions at Sequent Computer Systems, a multiprocessing computer systems design and manufacturer that is currently a part of IBM; Bipolar Integrated Technology, Inc., a VLSI bipolar semiconductor company; and Lattice Semiconductor Inc., a service driven developer of programmable design solutions widely used in semiconductor components.

Mr. Talwalkar has served as a member of the board of directors of LSI since 2005 and the U.S. Semiconductor Industry Association, a semiconductor industry trade association, since 2005. He is additionally a member of the U.S. delegation for World Semiconductor Council proceedings.

He has a B.S. degree in electrical engineering from Oregon State University.

The board has concluded that Mr. Talwalkar is qualified to serve as a director of the Company because of his experience in the semiconductor industry, including as the chief executive officer of a semiconductor company, his leadership roles at other semiconductor companies, and his active role in the semiconductor industry's trade association.

Security Ownership of Certain Beneficial Owners and Management

The table below sets forth the beneficial ownership of shares of Lam common stock by: (i) each person or entity who we believe based on our review of filings made with the SEC beneficially owned as of September 9, 2013, more than 5% of Lam's common stock on the date set forth below; (ii) each current director of the Company; (iii) each named executive officer identified below in the "*Compensation Discussion and Analysis*" section; and (iv) all current directors and current executive officers as a group. With the exception of 5% owners, and unless otherwise noted, the information below reflects holdings as of September 9, 2013, which is the Record Date for the 2013 annual meeting and the most recent practicable date for determining ownership. For 5% owners, holdings are as of the dates of their most recent ownership reports filed with the SEC, which are the most practicable dates for determining their holdings. The percentage of the class owned is calculated using 162,092,907 as the number of shares of Lam common stock outstanding on September 9, 2013.

Continues on next page ▶

Name of Person or Identity of Group	Shares Beneficially Owned (#)[(1)]	Percentage of Class
5% Stockholders		
JP Morgan Chase & Co. 270 Park Avenue New York, NY 10017	18,001,380[(2)]	11.1%
The Vanguard Group, Inc. 100 Vanguard Boulevard Malvern, PA 19355	10,540,294[(3)]	6.5%
Directors		
Martin B. Anstice (also a Named Executive Officer)	46,267	*
Eric K. Brandt	14,542	*
Michael R. Cannon	9,795	*
Youssef A. El-Mansy	18,873	*
Christine A. Heckart	9,659	*
Grant M. Inman	81,648	*
Catherine P. Lego	37,648	*
Stephen G. Newberry	224,882	*
Krishna C. Saraswat	18,306	*
William R. Spivey	54,026	*
Abhijit Y. Talwalkar	10,095	*
Named Executive Officers ("NEOs")		
Timothy M. Archer	225,612[(4)]	*
Douglas R. Bettinger	19,594	*
Richard A. Gottscho	21,100	*
Sarah A. O'Dowd	30,034	*
Ernest E. Maddock	7,568	*
All current directors and executive officers as a group (15 people)[(4)]	822,081	*

* Less than 1%.

(1) Includes shares subject to outstanding stock options that are now exercisable or will become exercisable within 60 days after September 9, 2013, as well as restricted stock units, or "RSUs," that will vest within that time period, as follows:

Name of Person or Identity of Group	Shares
Martin B. Anstice	0
Eric K. Brandt	5,127
Michael R. Cannon	3,830
Youssef A. El-Mansy	3,830
Christine A. Heckart	3,830
Grant M. Inman	3,830
Catherine P. Lego	3,830
Stephen G. Newberry	125,610
Krishna C. Saraswat	3,830
William R. Spivey	3,830
Abhijit Y. Talwalkar	3,830
Timothy M. Archer	149,625
Douglas R. Bettinger	11,789
Richard A. Gottscho	0
Sarah A. O'Dowd	0
Ernest E. Maddock	0
All current directors and executive officers as a group (15 people)	322,791

As discussed in "*Director Compensation*" below, the employee chairman and non-employee directors receive an annual equity grant as part of their compensation. These grants generally vest on November 1, subject to continued service on the board as of that date, but the shares are delivered in the following January. For 2013, Mr. Newberry received an annual grant of 1,910 RSUs and Drs. El-Mansy, Saraswat and Spivey; Messrs. Brandt, Cannon, Inman and Talwalkar; and Mses. Heckart and Lego each received grants of 3,830 RSUs. These RSUs are included in the tables above, although the directors will not actually receive them until January 2014.

(2) All information regarding JPMorgan Chase & Co., or "JPMorgan Chase," is based solely on information disclosed in amendment number 4 to Schedule 13G filed by JPMorgan Chase with the SEC on January 17, 2013 as a parent holding company on behalf of JPMorgan Chase and its wholly-owned subsidiaries: JPMorgan Chase Bank, National Association; J.P. Morgan Investment Management Inc.; JPMorgan Asset Management (UK) Ltd.; J.P. Morgan Trust Company of Delaware; JP Morgan Asset Management (Japan) Limited; and JPMorgan Asset Management (Canada) Inc. According to the Schedule 13G/A filing, of the 18,001,380 shares of Lam common stock reported as beneficially owned by JPMorgan Chase as of December 31, 2012, JPMorgan Chase had sole voting power with respect to 16,419,719 shares, had shared voting power with respect to 40,513 shares, had sole dispositive power with respect to 17,942,700 shares and shared dispositive power with respect to 58,680 shares of Lam common stock reported as beneficially owned by JPMorgan Chase as of that date.

(3) All information regarding The Vanguard Group, Inc., or "Vanguard," is based solely on information disclosed in a Schedule 13G filed by Vanguard with the SEC on February 13, 2013 as a parent holding company on behalf of Vanguard and its wholly-owned subsidiaries: Vanguard Fiduciary Trust Company, or "VFTC," and Vanguard Investments Australia, Ltd., or "VIA." According to the Schedule 13G filing, of the 10,540,294 shares of Lam common stock reported as beneficially owned by Vanguard as of December 31, 2012, Vanguard had sole voting power with respect to 314,260 shares, did not have shared voting power with respect to any other shares, had sole dispositive power with respect to 10,246,534 shares and shared dispositive power with respect to 293,760 shares of Lam common stock reported as beneficially owned by Vanguard as of that date. According to the Schedule 13G, the 10,540,294 shares of Lam common stock reported as beneficially owned by Vanguard include 242,260 shares beneficially owned by VFTC as a result of it serving as investment manager of collective trust accounts, and 123,500 shares beneficially owned by VIA as a result of it serving as investment manager of Australian investment offerings.

(4) Includes 4,227 shares of common stock held indirectly in a 401(k) plan and 500 shares of common stock held by Mr. Archer's spouse in her 401(k) plan over which he may be deemed to have beneficial ownership.

Corporate Governance

Our board of directors and members of management are committed to responsible corporate governance to manage the Company for the long-term benefit of its stockholders. To that end, the board and management periodically review and update, as appropriate, the Company's corporate governance policies and practices. As part of that process, the board and management review the requirements of federal and state law, including rules and regulations of the SEC; the listing standards for the NASDAQ Global Select Market, or "NASDAQ;" published guidelines and recommendations of proxy advisory firms; and published guidelines of other selected public companies.

Corporate Governance Policies

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

Board committee charters. Each of the board's audit, compensation and nominating and governance committees has a written charter adopted by the board that establishes practices and procedures for the committee in accordance with applicable corporate governance rules and regulations. Each committee reviews its charter annually and recommends changes to the board, as appropriate. Each committee charter is available on the investors' page of our web site at *http://investor.lamresearch.com*. Please also refer to "*Board Committees*" below, for a description of responsibilities of these board committees.

Corporate governance guidelines. We adhere to written corporate governance guidelines, adopted by the board and reviewed annually by the nominating and governance committee and the board. Selected provisions of the guidelines are discussed below, including in the "*Board Nomination Policies and Procedures,*" "*Director Independence Policies*" and "*Other Governance Practices*" sections below. The corporate governance guidelines are available on the investors' page of our web site at *http://investor.lamresearch.com*.

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

Global standards of business conduct policy. We maintain written standards of appropriate conduct in a variety of business situations that apply to employees worldwide. Among other things, these global standards of business conduct prohibit employees from engaging in "short sales" of Lam securities or from purchasing or selling "put" or "call" options for Lam securities (other than stock options issued under our employee equity plans). These measures help to ensure that our employees will not benefit from a decline in Lam's stock price, and will remain focused on our business success.

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

Board Nomination Policies and Procedures

Board membership criteria. Under our corporate governance guidelines, the nominating and governance committee is responsible for assessing the appropriate balance of experience, skills and characteristics required for the board and for recommending director nominees to the independent directors.

The guidelines direct the committee to consider all factors it considers appropriate. The committee need not consider all of the same factors for every candidate. Factors to be considered may include, but are not limited to: experience; business acumen; wisdom; integrity; judgment; the ability to make independent analytical inquiries; the ability to understand the Company's business environment; the candidate's willingness and ability to devote adequate time to board duties; specific skills, background or experience considered necessary or desirable for board or committee service; specific experiences with other businesses or organizations that may be relevant to the Company or its industry; diversity with respect to any attribute(s) the board considers desirable; and the interplay of a candidate's experiences and skills with the experiences and skills of other board members.

Continues on next page ▶

Prior to recommending that an incumbent non-employee director be nominated for reelection to the board, the committee reviews the experiences, skills and qualifications of the directors to assess the continuing relevance of the directors' experiences, skills and qualifications to those considered necessary or desirable for the board at that time.

Board members may not serve on more than four boards of public companies (including service on the Company's board). In addition, no director, after having attained the age of 75 years, may be nominated for re-election or reappointment to the board.

Nomination procedure. The nominating and governance committee identifies, evaluates and recommends qualified candidates for appointment or election to the board. The committee considers recommendations from a variety of sources, including search firms, board members, executive officers and stockholders. Formal nominations are made by the independent members of the board.

Certain provisions of our bylaws apply to the nomination or recommendation of candidates by a stockholder. Information regarding the nomination procedure is provided in the "*Stockholder-Initiated Proposals and Nominations for 2014 Annual Meeting*" section above.

Director Independence Policies

Board independence requirements. Our corporate governance guidelines require that at least a majority of the board members be independent in accordance with NASDAQ rules. No director will qualify as "independent" unless the board affirmatively determines that the director has no relationship that would interfere with the exercise of independent judgment as a director. In addition, no non-employee director may serve as a consultant or service provider to the Company without the approval of a majority of the independent directors (and any such director's independence must be reassessed by the full board following such approval).

Board member independence. The board has determined that all current directors, other than Messrs. Anstice and Newberry, are independent in accordance with NASDAQ criteria for director independence.

Board committee independence. All members of the board's audit, compensation, and nominating and governance committees must be independent in accordance with applicable NASDAQ criteria as well as, in the case of the compensation committee, applicable rules under section 162(m) of the Internal Revenue Code of 1986, as amended, or the "Code," and Rule 16b-3 of the Exchange Act as non-employee directors. See "*Board Committees*" below for a description of the responsibilities of these board committees.

Lead independent director. Our corporate governance guidelines authorize the board to designate a lead independent director from among the independent board members. The lead independent director is responsible for coordinating the activities of the independent directors, consulting with the chairman regarding matters such as schedules of and agendas for board meetings and the retention of consultants who report directly to the board, and developing the agenda for and moderating executive sessions of the board's independent directors. Mr. Inman has served as the lead independent director since his reelection at the 2012 annual meeting.

Executive sessions of independent directors. The board and its audit, compensation, and nominating and governance committees hold meetings of the independent directors and committee members, without management present, as part of each regularly scheduled meeting and at any other time at the discretion of the board or committee, as applicable.

Board access to independent advisors. The board as a whole, and each of the board standing committees separately, may retain, at the Company's expense, and may terminate, in their discretion, any independent consultants, counselors, or advisors as they deem necessary or appropriate to fulfill their responsibilities.

Leadership Structure of the Board

The current leadership structure of the board consists of a chairman and a lead independent director. The chairman, Mr. Newberry, served as chief executive officer of the Company, or "CEO," from June 2005 to January 2012. The board believes that this is the appropriate leadership structure at this time. Lam and its stockholders benefit from having Mr. Newberry as its chairman, as he brings to bear his experience as CEO as well as his other qualifications in carrying out his responsibilities as chairman. The Company and its stockholders also benefit from having a lead independent director to provide independent board leadership.

Other Governance Practices

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

Board and committee assessments. At least bi-annually, the board conducts a self-evaluation, overseen by the

nominating and governance committee. To the extent the board requests, the committee also oversees evaluations of the board's standing committees.

Director resignation or notification of change in executive officer status. Under our corporate governance guidelines, any director who is also an executive officer of the Company must offer to submit his or her resignation as a director to the board if the director ceases to be an executive officer of the Company. The board may accept or decline the offer, in its discretion. The corporate governance guidelines also require a non-employee director to notify the nominating and governance committee if the director changes his or her executive position at another company. The nominating and governance committee reviews the appropriateness of the director's continuing board membership under the circumstances, and the director is expected to act in accordance with the nominating and governance committee's recommendations.

Director and executive stock ownership. Under the corporate governance guidelines, each director is expected to own at least five times the value of the annual cash retainer (not including any committee chair or other supplemental retainers for directors) or 5,000 shares of Lam common stock, whichever is less, by the fifth anniversary of his or her initial election to the board. Guidelines for stock ownership by designated members of the executive management team are described below under "*Compensation Discussion and Analysis*." All of our directors and designated members of our executive management team were in compliance with the Company's applicable stock ownership guidelines at the end of fiscal year 2013.

Communications with board members. Any stockholder who wishes to communicate directly with the board of directors, with any board committee or with any individual director regarding the Company may write to the board, the committee or the director c/o Secretary, Lam Research Corporation, 4650 Cushing Parkway, Fremont, California 94538. The Secretary will forward all such communications to the appropriate director(s).

Any stockholder, employee, or other person may communicate any complaint regarding any accounting, internal accounting control, or audit matter to the attention of the board's audit committee by sending written correspondence by mail (to Lam Research Corporation, Attention: Board Audit Committee, P.O. Box 5010, Fremont, California 94537-5010) or by the internet (through the Company's third party provider web site at *https://secure.ethicspoint.com/domain/media/en/gui/35911/index.html*). The audit committee has established procedures to ensure that employee complaints or concerns regarding audit or accounting matters will be received and treated anonymously (if the complaint or concern is submitted anonymously) and confidentially.

Meeting Attendance

All of the directors attended at least 75% of the aggregate number of board meetings and meetings of board committees on which they served during their board tenure in fiscal year 2013. Our board of directors held a total of four meetings during fiscal year 2013.

We expect our directors to attend the annual meeting of stockholders each year and to respond to appropriate questions. All individuals who were directors as of the 2012 annual meeting of stockholders attended the 2012 annual meeting of stockholders.

Board Committees

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

Committee Memberships as of June 2013

Name	Audit	Compensation	Nominating and Governance
Eric K. Brandt	x		
Michael R. Cannon	x[1]		x
Youssef A. El-Mansy		x	
Christine A. Heckart		x	
Grant M. Inman		x[3]	Chair[3]
Catherine P. Lego	Chair		
Krishna C. Saraswat			x
William R. Spivey	x[2]		x
Abhijit Y. Talwalkar		Chair[4]	x

(1) Mr. Cannon served as a member of the compensation committee until May 1, 2013, at which time he was appointed a member of the audit committee.
(2) Dr. Spivey was appointed a member of the audit committee effective November 1, 2012.
(3) Mr. Inman was appointed the chair of the nominating and governance committee and Lead Independent Director effective November 1, 2012. Mr. Inman served as the chair of the compensation committee until November 1, 2012.
(4) Mr. Talwalkar was appointed the chair of the compensation committee effective November 2, 2012.

Audit committee. The purpose of the audit committee is to oversee the Company's accounting and financial reporting processes and the audits of our financial statements, including the system of internal controls. The audit committee is not responsible for planning or conducting our audits, or determining whether our financial statements are complete and accurate or prepared in accordance with generally accepted accounting principles.

Continues on next page ▶

The board concluded that all audit committee members are non-employee directors who are independent in accordance with the NASDAQ listing standards and SEC rules for audit committee member independence and that each audit committee member is able to read and understand fundamental financial statements as required by the NASDAQ listing standards. The board also determined that Ms. Lego, the chair of the committee during fiscal year 2013, and Mr. Brandt, a member of the committee during fiscal year 2013, are each a "financial expert" as defined in SEC rules. The audit committee held nine meetings during fiscal year 2013.

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

- Appoint and provide for the compensation for the Company's independent registered public accounting firm, or the "Accounting Firm," and approve, in accordance with and in a manner consistent with the laws, rules and regulations applicable to the Company, all professional services to be provided to Lam Research by the Accounting Firm
- Oversee the work, and evaluate the performance, of the Accounting Firm
- Meet with management and the Accounting Firm to discuss the annual financial statements and the Accounting Firm's report on them prior to the filing of the Company's annual report on Form 10-K with the SEC, and to discuss the adequacy of internal control over financial reporting
- Meet quarterly with management and the Accounting Firm to discuss the quarterly financial statements prior to the filing of the Company's quarterly report on Form 10-Q with the SEC
- At least annually, review and reassess the internal audit charter and, if appropriate, recommend proposed changes
- Review the scope, results and analysis of internal audits (if any)
- Review and approve all related-party transactions
- Establish a procedure for receipt, retention and treatment of any complaints received by the Company about its accounting, internal accounting controls or auditing matters, and for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters
- Review and monitor the Company's investment policy and its investment portfolio performance and associated risks, including but not limited to annual review and recommendation to the full board of management's treasury strategy committee charter

Compensation committee. The purpose of the compensation committee is to discharge certain responsibilities of the board relating to executive compensation, to oversee incentive, equity-based plans and other compensatory plans in which the Company's executive officers and/or directors participate and to produce an annual report on executive compensation for inclusion as required in the Company's annual proxy statement.

The board concluded that all members of the compensation committee are non-employee directors who are independent in accordance with Rule 16b-3 of the Exchange Act and the NASDAQ criteria for director independence and who are outside directors for purposes of section 162(m) of the Code. The compensation committee held seven meetings during fiscal year 2013.

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

- Establish and review corporate goals and objectives as relevant to the chief executive officer, the chairman and the vice chairman, evaluate their performance in light of these goals and objectives and based on this evaluation recommend the chief executive officer's, the chairman's and the vice chairman's compensation packages and payouts for approval by the independent members of the board
- Determine compensation packages, targets, and payouts for other executive officers
- Establish and administer stock ownership guidelines applicable to executive officers
- Review and recommend to the board for final approval all cash, equity-based or other compensation arrangements applicable to the independent members of the board
- Review and approve, subject to stockholder or board approval as required, the creation or amendment of any equity-based compensatory plans and other compensatory plans as the board designates, and administer such plans
- Oversee management's determination as to whether the Company's compensation policies and practices create risks that are reasonably likely to have a material adverse effect on the Company
- Recommend to the board the frequency of "say on pay" votes, review the results of "say on pay" votes, and consider whether any adjustments to the Company's executive compensation program are appropriate as a result of such votes
- Appoint and oversee compensation of and the work of any compensation consultants, independent counsel and advisors retained by the committee

Nominating and governance committee. The purpose of the nominating and governance committee is to identify individuals qualified to serve as members of the board of the Company, to recommend nominees for election as directors of the Company, to oversee self-evaluations

of the board's performance, to develop and recommend corporate governance guidelines to the board, and to provide oversight with respect to corporate governance and ethical conduct.

The board concluded that all nominating and governance committee members are non-employee directors who are independent in accordance with the NASDAQ criteria for director independence. The nominating and governance committee held four meetings during fiscal year 2013.

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

- Identify, screen, evaluate, and recommend to the independent members of the board nominees for election as directors of the Company at the next annual or special meeting of stockholders at which directors are to be elected; and identify, screen, evaluate and recommend to the board individuals to fill any vacancies or newly created directorships that may occur between meetings
- Make recommendations to the board annually after consultation with the chairman of the board and the lead independent director, if any, with respect to assignment of board members to committees and as committee chairs
- Cause to be prepared and recommend to the board the adoption of corporate governance guidelines, and from time to time review and assess the guidelines and recommend changes for approval by the board
- Review and assess, from time to time, the governing documents of the Company and, if appropriate, propose changes to the board
- Oversee on a bi-annual basis a self-evaluation of the board and, to the extent that the board requests , the board committees in accordance with the Company's corporate governance guidelines and the committee charters and conduct from time to time a self-evaluation of its performance
- Ensure that the board reviews CEO succession planning and that the CEO reports to the board regarding organization status on an appropriate basis

The nominating and governance committee recommended the slate of nominees for director set forth in Proposal No. 1. The independent members of the board approved the recommendations and nominated the proposed slate of nominees.

The nominating and governance committee will consider for nomination persons properly nominated by stockholders in accordance with the Company's bylaws and other procedures described in the "*Stockholder - Initiated Proposals and Nominations for 2014 Annual Meeting*" section above. Subject to then-applicable law, stockholder nominations for director will be evaluated by the Company's nominating and governance committee in accordance with the same criteria as is applied to candidates identified by the nominating and governance committee or other sources.

Board's Role in Risk Oversight

The board of directors has oversight responsibility with respect to our risk management activities. For a discussion of the risks we face, see our Annual Report on Form 10-K.

The board provides risk oversight by: (1) overseeing our risk management processes; (2) overseeing our strategic goals and objectives in the context of our material risk exposures; and (3) receiving reports from management on various types of risks and management's processes for managing such risks.

The board has delegated oversight responsibility for certain areas of risk exposure to its standing committees.

- Our audit committee oversees risk management activities relating to the Company's accounting and financial reporting, internal controls, and the auditing of our annual financial statements. The audit committee also oversees our independent registered public accounting firm and our internal audit function. The audit committee meets privately with our independent registered public accounting firm at least quarterly.
- Our compensation committee oversees risk management activities relating to the design of equity, executive and board level compensation policies and plans. The compensation committee works with an independent compensation consultant and meets privately with that consultant as appropriate.

Assessment of Compensation Risk

Management conducted a compensation risk assessment in 2013 and concluded that the Company's current compensation programs are not reasonably likely to have a material adverse effect on the Company's business.

Continues on next page ▶

Director Compensation

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

Our director compensation plans run on a calendar-year basis. However, SEC rules require us to report compensation in this proxy statement on a fiscal-year basis. The types and rates of cash compensation are included in the table below. Cash compensation paid for the fiscal year ended June 30, 2013 is shown in the table below, together with the annual cash compensation program components in effect for calendars years 2012 and 2013. For directors who joined the board or a committee during the fiscal year, the fiscal year 2013 compensation is prorated.

	Calendar Year 2013 ($)	Calendar Year 2012 ($)	Fiscal Year 2013 ($)
Annual Retainer	60,000	60,000	60,000
Lead Independent Director	20,000	15,000	17,500
Audit Committee – Chair	25,000	25,000	25,000
Audit Committee – Member	12,500	12,500	12,500
Compensation Committee – Chair	20,000	20,000	20,000
Compensation Committee – Member	10,000	10,000	10,000
Nominating and Governance Committee – Chair	10,000	10,000	10,000
Nominating and Governance Committee – Member	5,000	5,000	5,000

Non-employee directors also receive equity awards for their board service. New non-employee directors are generally eligible to receive an initial equity grant in the form of RSUs, upon the date of the first regularly scheduled board meeting attended by that director after first being appointed or elected to the board, with a targeted grant date value equal to $250,000 (the number of RSUs subject to the award is determined by dividing $250,000 by the fair market value of a share of Lam common stock as of the date of grant, rounded down to the nearest 10 shares). The initial RSUs vest in four equal annual installments from the date of grant subject to the director's continued service on the board. These equity grants are subject to the terms and conditions of the Company's 2007 Stock Incentive Plan, as amended, and the applicable award agreements.

Each non-employee director is eligible to receive an annual equity grant on a designated date in January of each year (or, if the designated date falls within a blackout window under applicable Company policies, on the first business day such grant is permissible under those policies) with a targeted grant value equal to $160,000 (the number of RSUs subject to the award is determined by dividing $160,000 by the fair market value of a share of Company common stock as of the date of grant, rounded down to the nearest 10 shares). These grants generally vest on November 1 in the year of grant and are subject to the terms and conditions of the Company's 2007 Stock Incentive Plan, as amended, and the applicable award agreements.

Each non-employee director who was on the board on January 28, 2013 received a grant of 3,830 RSUs for services during calendar year 2013. Each RSU grant issued on January 28, 2013 vests in full on November 1, 2013, generally subject to the director's continued service on the board. Receipt of the shares is deferred until January 31, 2014.

The following table shows compensation for fiscal year 2013 for directors other than Mr. Anstice, whose compensation is described below under "*Compensation Discussion and Analysis*":

Director Compensation for Fiscal Year 2013

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)[1]	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)[2]	Total ($)
Stephen G. Newberry	541,692[3]	79,723[17]	343,962[19]	5,330	970,707
James W. Bagley	263,365[4]	0	0	14,875	278,241
Robert M. Berdahl	42,500[5]	0	0	17,974	60,474
Eric K. Brandt	72,500[6]	159,864[18]	0	0	232,364
Michael R. Cannon	75,625[7]	159,864[18]	0	0	235,489
Youssef A. El-Mansy	60,124[8]	159,864[18]	0	17,974	237,962
Christine A. Heckart	70,000[9]	159,864[18]	0	0	229,864
Grant M. Inman	97,500[10]	159,864[18]	0	17,974	275,338
Catherine P. Lego	85,000[11]	159,864[18]	0	13,000	257,864
Kim E. Perdikou	67,500[12]	0	0	3,835	71,335
Krishna C. Saraswat	55,829[13]	159,864[18]	0	0	215,693
William R. Spivey	65,204[14]	159,864[18]	0	17,974	243,043
Abhijit Y. Talwalkar	78,750[15]	159,864[18]	0	0	238,614
Delbert A. Whitaker	26,021[16]	0	0	0	26,021

(1) The amounts shown in this column represent the grant date fair value of unvested restricted stock unit, or "RSU," awards granted during fiscal year 2013 in accordance with Financial Accounting Standards Board Accounting Standards Codification 718, *Compensation — Stock Compensation, or* "ASC 718." However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The assumptions used to calculate the fair value of the RSUs in fiscal year 2013 are set forth in Note 11 in the Notes to Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2013.

(2) Represents the portion of medical, dental and vision premiums paid by Lam.

(3) Mr. Newberry received $541,692, representing his $60,000 annual cash retainer as a director, $41,538 in vacation payout and the remainder as his base cash compensation under his employment agreement. As explained below, his compensation is based on his position as an employee of Lam and chairman or vice-chairman of the board.

(4) Mr. Bagley received $263,365, representing his compensation as an employee director through November 1, 2012, his compensation as an employee from November 2, 2012 through his retirement on December 28, 2012, and $47,885 in vacation paid upon his retirement. As explained below, his compensation was based on his position as an employee of Lam; he received no additional compensation as chairman of the board.

(5) Dr. Berdahl received $42,500, representing his annual retainer; $7,500 as lead independent director; and $5,000 as chair of the nominating and governance committee. Dr. Berdahl retired as of November 1, 2012.

(6) Mr. Brandt received $72,500, representing his annual retainer and $12,500 as a member of the audit committee.

(7) Mr. Cannon received $75,625, representing his annual retainer; $7,500 as a member of the compensation committee through May 1, 2013; $5,000 as a member of the nominating and governance committee; and $3,125 as a member of the audit committee effective May 1, 2013.

(8) Dr. El-Mansy received $60,124, representing his annual retainer and $8,589 as a member of the compensation committee. As a non-employee director appointed to the board in connection with the acquisition of Novellus, his calendar year 2012 cash compensation was prorated on a daily basis through the end of his term, October 31, 2012.

(9) Ms. Heckart received $70,000, representing her annual retainer and $10,000 as a member of the compensation committee.

(10) Mr. Inman received $97,500, representing his annual retainer; $13,750 as lead independent director effective November 1, 2012; $10,000 as chair of the compensation committee through November 1, 2012; $5,000 as a member of the compensation committee effective November 2, 2012; $6,250 as chair of the nominating and governance committee effective November 1, 2012; and $2,500 as a member of the nominating and governance committee through October 31, 2012.

(11) Ms. Lego received $85,000, representing her annual retainer and $25,000 as chair of the audit committee.

(12) Ms. Perdikou received $67,500, representing her annual retainer, $6,250 as a member of the audit committee and $31,250 as a special payment on October 24, 2012 reflecting the prorated value of her initial RSU grant that would have vested in May 2013. Ms. Perdikou resigned as a director effective November 1, 2012.

(13) Dr. Saraswat received $55,829, representing his annual retainer and $4,295 as a member of the nominating and governance committee. As a non-employee director appointed to the board in connection with the acquisition of Novellus, his calendar year 2012 cash compensation was prorated on a daily basis through the end of his term, October 31, 2012.

(14) Dr. Spivey received $65,204, representing his annual retainer, $9,375 as a member of the audit committee effective November 1, 2012, and $4,295 as a member of the nominating and governance committee. As a non-employee director appointed to the board in connection with the acquisition of Novellus, his calendar year 2012 cash compenation was prorated on a daily basis through the end of his term, October 31, 2012.

(15) Mr. Talwalkar received $78,750, representing his annual retainer; $10,000 as chair of the compensation committee effective November 2, 2012; $5,000 as a member of the compensation committee through November 1, 2012; and $3,750 as a member of the nominating and governance committee.

(16) Mr. Whitaker received $26,021, representing his annual retainer and $4,486 as a member of the audit committee. Mr. Whitaker retired as of November 1, 2012. As a non-employee director appointed to the board in connection with the acquisition of Novellus, his calendar year 2012 cash compenation was prorated on a daily basis through the end of his term, October 31, 2012.

(17) On January 28, 2013, Mr. Newberry received an annual grant of 1,910 RSUs based on the $41.74 closing price of Lam's common stock and the target value of $80,000, rounded down to the nearest ten shares.

(18) On January 28, 2013, each non-employee director who was on the board received an annual grant of 3,830 RSUs based on the $41.74 closing price of Lam's common stock and the target value of $160,000, rounded down to the nearest 10 shares.

(19) Represents $343,962 accrued on behalf of Mr. Newberry during fiscal year 2013 under the 2011/2012 LTIP-Cash program, which Mr. Newberry has received.

Continues on next page ▶

Mr. Newberry, who served as vice-chairman from January 1, 2012 until November 1, 2012 and since such date has served as chairman, has a different compensation arrangement than the other directors due to his position as an employee of the Company. Mr. Newberry's compensation was approved by the independent members of the board upon recommendation from the compensation committee. Mr. Newberry entered into an employment agreement commencing on January 1, 2012 and expiring on December 31, 2014, subject to the right of earlier termination in certain circumstances. Under Mr. Newberry's agreement, Mr. Newberry is entitled to total annual compensation of $500,000. That amount was paid solely in cash during calendar 2012, and during calendar 2013 and 2014 is paid partially in RSUs, partially as a cash annual retainer for his service as a director and the remainder in cash, as described in the agreement. The cash annual retainer is the same amount, and payable at the same time, for non-employee directors. In calendar 2013 and 2014, the cash portion of Mr. Newberry's annual base compensation is determined by subtracting the RSU grant value and the cash annual retainer for directors from the total annual compensation. Mr. Newberry's base cash compensation is subject to annual adjustment at the discretion of the independent members of the board. Mr. Newberry continued vesting in his past 2011/2012 Long-Term Incentive Plan, or "LTIP," awards, but is not eligible for future awards under the Company's short-term or long term variable compensation plans. Mr. Newberry was paid $1,892,484 under the cash component of the 2011/2012 LTIP program in February 2013, and 19,306 shares of service-based RSUs and 17,838 shares of performance-based RSUs that were granted in March 2011 vested on March 4, 2013 under the equity portion of the program. He is not entitled to any other compensation for his role as a member of the board; he is not eligible for any performance bonus program offered by the Company; and he is not entitled to any equity awards other than those equity awards granted to him in the discretion of the independent members of the board. Mr. Newberry is eligible to participate in the Company's Elective Deferred Compensation Program and medical, dental and insurance benefit programs maintained by the Company that were generally applicable to executives of the Company, subject to the general terms and conditions of the programs.

If there is a change in control and involuntary termination, involuntary termination other than in connection with a change in control, death or disability (as each term is defined in Mr. Newberry's agreement), Mr. Newberry will be entitled to (1) a lump-sum cash payment equal to 12 months of Mr. Newberry's base compensation (less, in the case of death, of certain insurance payments); (2) certain unpaid amounts under the short term plan in effect in 2011 (all of which have been paid and would result in no additional payment); (3) certain medical benefits; (4) vesting of certain stock option and restricted stock unit awards; and (5) payment of certain unpaid amounts under the 2011/2012 LTIP (the entire cash portion of which was paid in February 2013 and the entire equity portion of which was paid in March 2013 and would result in no additional payment).

If Mr. Newberry voluntarily resigns, he will be entitled to no additional benefits (except as he may be eligible for under the Executive Retiree Medical Plan), any vested stock options will be cancelled 90 days after the date of termination unless earlier exercised. RSUs will be cancelled on the date of termination.

Mr. Bagley, who retired from his position as chairman effective immediately prior to November 1, 2012, also had a different compensation arrangement than the other directors due to his position as an employee of the Company. Mr. Bagley's compensation was approved by the independent members of the board upon recommendation from the compensation committee. Mr. Bagley had an employment contract that expired March 31, 2012, and he continued as an employee of the Company. His annual base compensation was $415,000. Mr. Bagley did not receive additional compensation for his role as a member of the board; he was not eligible for any performance bonus program offered by the Company; and he was not entitled to any equity awards other than those equity awards granted to him in the discretion of the independent members of the board. Mr. Bagley was eligible to participate in the Company's Elective Deferred Compensation Program and medical, dental and insurance benefit programs maintained by the Company that were generally applicable to executives of the Company, subject to the general terms and conditions of the programs.

In addition, any members of the board prior to, or serving as of, December 31, 2012 who retire from the board can participate in the Company's Executive Retirement Medical and Dental Plan if they meet certain eligibility requirements. The board eliminated this benefit for any person who becomes a director after December 31, 2012. The most recent valuation of the Company's accumulated post-retirement benefit obligation under Accounting Standards Codification 715, *Compensation-Retirement Benefits* ("ASC 715"), as of June 30, 2013, for eligible former directors and the current directors who may become eligible is shown below. Factors affecting the amount of post-retirement benefit obligation include age at enrollment, age at retirement, coverage tier (e.g., single, plus spouse, plus family), interest rate, and length of service.

Name	Accumulated Post-Retirement Benefit Obligation, as of June 2013 ($)
Stephen G. Newberry	458,000
James W. Bagley	285,000
Robert M. Berdahl	256,000
Eric K. Brandt	0
Michael R. Cannon	0
Youssef A. El-Mansy	55,000
Christine A. Heckart	0
Grant M. Inman	241,000
Catherine P. Lego	426,000
Kim E. Perdikou	0
Krishna C. Saraswat	0
William R. Spivey	61,000
Abhijit Y. Talwalkar	0
Delbert A. Whitaker	0

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers, directors, and people who own more than 10% of a registered class of our equity securities to file an initial report of ownership (on a Form 3) and reports on subsequent changes in ownership (on Forms 4 or 5) with the SEC by specified due dates. Our executive officers, directors, and greater-than-10% stockholders are also required by SEC rules to furnish us with copies of all Section 16(a) forms they file. We are required to disclose in this proxy statement any failure to file any of these reports on a timely basis. Based solely on our review of the copies of the forms that we received from the filers, and on written representations from certain reporting persons, we believe that all of these requirements were satisfied during fiscal year 2013.

Executive Compensation and Other Information

Compensation Discussion and Analysis

This Compensation Discussion and Analysis, or "CD&A," describes our executive compensation program. It is organized as follows:

- Section I..............Executive Summary (Including Our Philosophy and Program Design)
- Section II.............Executive Compensation Governance and Procedures
- Section III............Primary Components of Named Executive Officer Compensation; Calendar Year 2012 Compensation Payouts; Calendar Year 2013 Compensation Targets and Metrics
- Section IV............Tax and Accounting Considerations

Continues on next page ▸

Our CD&A discusses compensation earned by our "Named Executive Officers," or "NEOs," who are our chief executive officer, or "CEO," our present and former chief financial officers, and the three other most highly compensated executive officers, as described under SEC rules. Our NEOs for fiscal year 2013 are as follows:

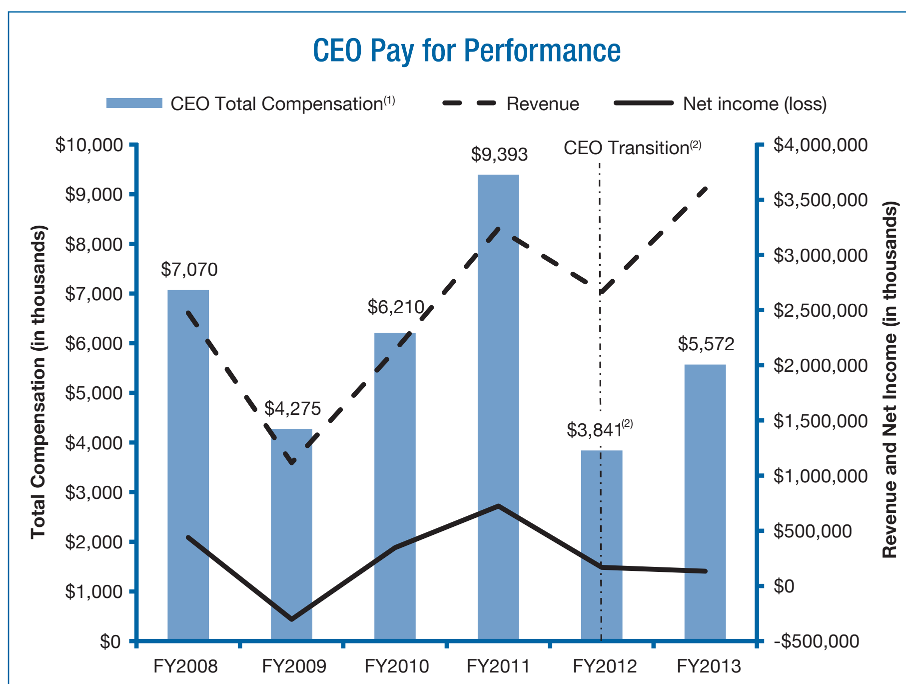
Figure 1. FY2013 NEOs

Named Executive Officer	Position(s)
Martin B. Anstice	President and Chief Executive Officer
Timothy M. Archer	Executive Vice President and Chief Operating Officer
Douglas R. Bettinger	Executive Vice President and Chief Financial Officer beginning March 11, 2013
Richard A. Gottscho	Executive Vice President, Global Products
Sarah A. O'Dowd	Senior Vice President, Chief Legal Officer
Ernest E. Maddock	Executive Vice President and Chief Financial Officer through March 10, 2013; Employee through April 19, 2013

I. EXECUTIVE SUMMARY

Our executive compensation program is designed to foster a pay-for-performance culture, motivate performance that creates long-term stockholder value, motivate outstanding performance at the corporate, organization and individual levels, and motivate retention of a long-term, high-quality management team. We have structured our compensation program and payouts to reflect these goals. Our CEO's compensation in relation to our revenue and net income is shown in Figure 2 below.

Figure 2. FY2008-FY2013 CEO Pay for Performance



(1) "CEO Total Compensation" consists of base salary, annual incentive payments, accrued values of the cash payments under the long-term incentive program and grant date fair values of equity based awards under the long-term incentive program, and all other compensation as reported in the "*Summary Compensation Table*" below.

(2) The CEO Total Compensation for fiscal year 2012 reflects Mr. Anstice's succession of Mr. Newberry as our President and CEO as of January 1, 2012.

To understand our executive compensation program fully, we feel it is important to understand:

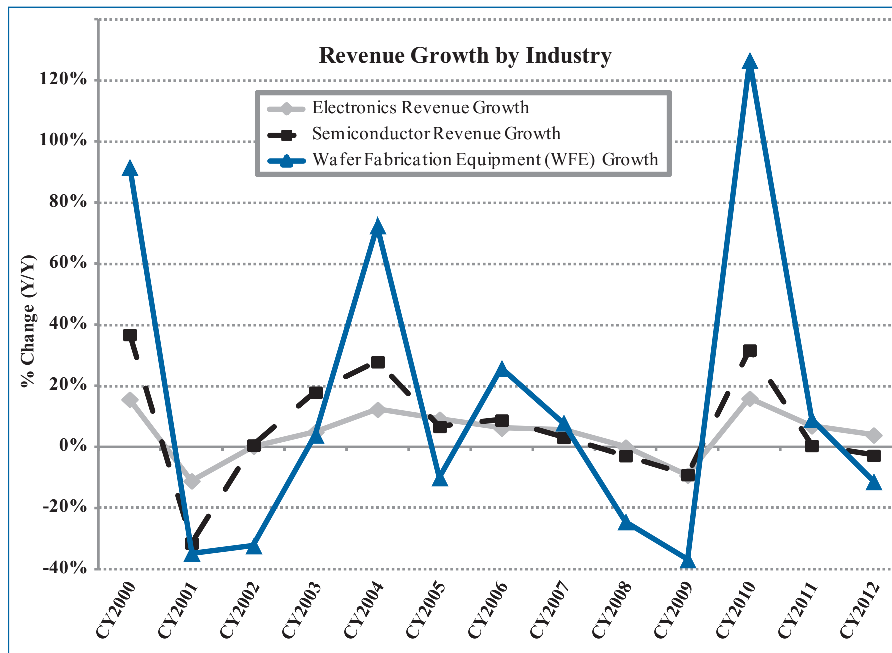
- Our business, our industry environment and our financial performance; and
- Our executive compensation philosophy and program design.

Our Business, Our Industry Environment and Our Financial Performance

Lam Research has been an innovative supplier of wafer fabrication equipment and services to the semiconductor industry for more than 30 years. Lam offers a broad multi-product portfolio of etch, deposition, strip and wafer cleaning solutions, which help our customers build smaller, faster and more power-efficient integrated circuits. These devices are used in a variety of electronic products that impact our everyday lives, including cell phones, computers, memory storage devices, and networking equipment.

The semiconductor capital equipment industry has been highly competitive and subject to business cycles that historically have been characterized by rapid changes in demand that necessitate adjusting spending and managing capital allocation prudently across business cycles. Figure 3 below shows year-over-year changes in revenue growth for each of the electronics industry, the semiconductor industry, and the wafer fabrication equipment segment of the semiconductor equipment industry from 2000 to the present. The semiconductor industry has historically been a highly cyclical industry, with fluctuations responding to changes in the demand for semiconductor devices. The wafer fabrication equipment segment in which we participate, has historically exhibited more extreme volatility during these demand cycles as illustrated by the graph below. To enable our operations team to adjust quickly to these rapid changes in demand while effectively managing costs, we have established a flexible business model. Our compensation program has been designed to incorporate this same flexibility. Since exiting the global recession, the volatility across business cycles appears to be moderating; under these conditions, we continue to evaluate the relevance of this trend to our program design.

Figure 3. CY2000-CY2012 Revenue Growth by Industry

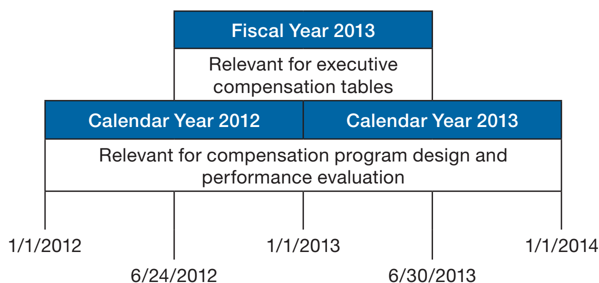


Sources: SEMI; World Semiconductor Trade Statistics, Inc. (WSTS); Gartner, Inc.; Lam Research Corporation

Continues on next page ▶

Although we have a June fiscal year end, our executive compensation program is designed and executed on a calendar-year basis to correspond with our calendar-year-based business planning. This CD&A reflects a calendar-year orientation, as shown in Figure 4 below. The Executive Compensation Tables at the end of this CD&A are based on our fiscal year, as required by SEC regulations.

Figure 4. Executive Compensation Calendar-Year Orientation



In calendar year 2012, demand for semiconductor equipment declined slightly as device manufacturers delayed certain capacity investments in conjunction with weak macroeconomic conditions. Despite this challenging environment, Lam delivered solid financial performance while successfully completing the merger of Novellus Systems, Inc., or "Novellus," and executing aggressive integration plans.

Highlights for calendar year 2012:

- Recorded $3.2 billion in revenue, representing an approximate 12% increase over calendar year 2011;
- Generated operating cash flow of $686 million, which represents approximately 22% of revenues;
- Repurchased approximately 39 million shares of common stock, returning approximately $1.4 billion to stockholders;
- Completed the acquisition of Novellus on June 4, 2012, broadening our product portfolio to include critical thin-film deposition and photo-resist strip, which are adjacent process steps to Lam's core competencies of etch and single-wafer clean; and
- Executed on-schedule planned cost synergies, completing approximately 40% of the targeted cost savings from the merger at the end of calendar year 2012.

Industry conditions started to improve during the first half of calendar year 2013 relative to the second half of calendar year 2012 as customers increased their investments in semiconductor equipment to support healthy demand for mobile electronics.

Executive Compensation Philosophy and Program Design

Executive Compensation Philosophy

Our compensation committee's philosophy that guided this year's awards and payout decisions is to:

- provide competitive compensation to attract and retain top talent
- provide compensation that is fair to employees and rewards corporate, organizational and individual performance
- align pay with business objectives while driving exceptional performance throughout fluctuating business cycles
- optimize value to employees while maintaining cost-effectiveness to the Company
- create stockholder value over the long term
- align annual plan to short-term performance and long-term plan to longer-term performance
- recognize that a long-term, high-quality management team is a competitive differentiator for Lam, enhancing customer trust/market share and, therefore, stockholder value

Our compensation committee's executive compensation objectives are to:

- motivate performance that creates long-term stockholder value
- motivate outstanding performance at the corporate, organization and individual levels
- motivate retention of a long-term, high-quality management team

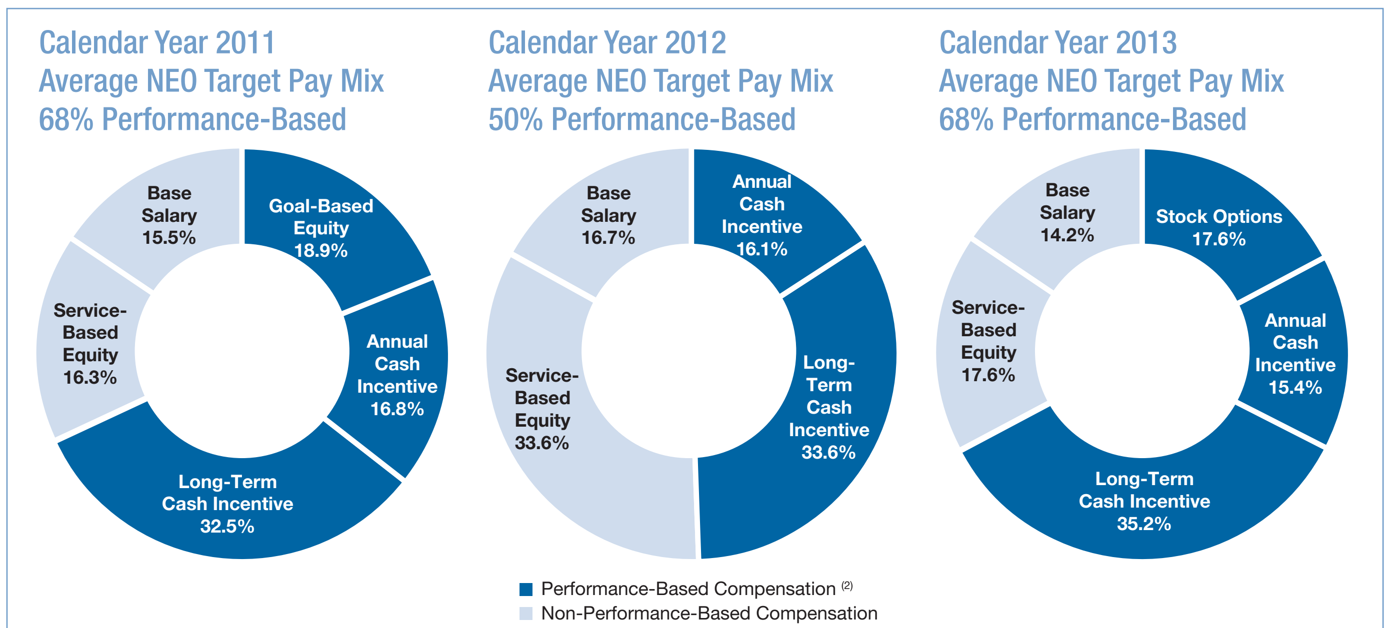
To achieve these objectives, our compensation committee authorized the following strategies:

- reference appropriate market data
- respond to fluctuating business cycle changes
- use a mix of equity award types
- provide an appropriate mix of short-term and long-term rewards
- balance these strategies to reach an optimum result under existing circumstances

Program Design

Our program design uses a mix of short- and long-term components, and a mix of cash and equity components. Our executive compensation program includes base salary, an annual incentive program, a long-term incentive cash program, a long-term incentive equity program, as well as stock ownership guidelines. As illustrated in Figure 5 below, our program design is weighted towards performance and stockholder value. The performance-based program components include annual incentive program cash payouts, long-term incentive program cash payouts and goals-based equity and stock option awards under the long-term incentive equity program. The pay component mix changed in 2012 due to the timing of the Novellus acquisition but was subsequently reinstituted to its prior mix of performance-based equity in 2013, as further explained under "*Long-Term Incentive Program – Design*" in section III below.

Figure 5. CY2011-CY2013 NEO Compensation Target Pay Mix Averages[(1)]



(1) Data in Figure 5 for the calendar year 2011, 2012 and 2013 charts is for the then-applicable NEOs (i.e., fiscal year 2011 NEOs are represented in the calendar year 2011 chart, etc.).

(2) For purposes of this illustration, we include goal-based RSUs and stock options as performance-based, but do not classify service-based RSUs as performance-based.

Our stock ownership guidelines for our executive officers, including our NEOs, are shown in Figure 6 below. The requirements are specified in the alternative of shares or dollars to allow for stock price volatility. Ownership levels as shown below must be achieved within five years of appointment as an executive officer. Increased requirements due to promotions must be achieved within three years of promotion. At the end of fiscal year 2013, all of the then-employed NEOs were in compliance with our stock ownership guidelines.

Continues on next page ▸

Figure 6. Executive Stock Ownership Guidelines

Position	Guidelines (lesser of)
Chief Executive Officer	3x base salary or 65,000 shares
Executive Vice Presidents	2x base salary or 20,000 shares
Senior Vice Presidents	1x base salary or 10,000 shares

II. EXECUTIVE COMPENSATION GOVERNANCE AND PROCEDURES

Role of the Compensation Committee

Our board of directors has delegated certain responsibilities to the compensation committee, or the "committee," through its committee charter. The committee[1] oversees the compensation programs in which our executive officers (including all NEOs) participate. The independent members of our board of directors approve the compensation packages and payouts for our CEO and chairman of the board, or "chairman." A copy of the committee's charter can be viewed at *http://investor.lamresearch.com*.

Committee responsibilities include, but are not limited to: establishing and reviewing corporate goals and objectives as relevant to our CEO and our chairman, evaluating their performance in light of these goals and objectives, and based on this evaluation recommending their compensation to the independent members of our board of directors; determining the compensation packages, targets, and payouts for our executive officers other than the CEO; and reviewing, and approving where appropriate, equity-based compensation plans. For additional information on the committee's responsibilities, see "*Corporate Governance: Board Committees*" above.

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

Role of Committee Advisors

The committee is authorized to engage its own independent advisors to assist in carrying out its responsibilities. The committee has engaged the services of Compensia, Inc., a national compensation consulting firm, or "Compensia," as the committee's compensation consultant. Compensia provides the committee with independent and objective guidance regarding the amount and types of compensation for our chairman and executive officers and how these amounts and types of compensation compare to other companies' compensation practices, as well as guidance on market trends, evolving regulatory requirements, compensation of our independent directors, peer group composition and other matters as requested by the committee.

Representatives of Compensia regularly attend committee meetings (including executive sessions without management present), communicate with the committee chair outside of meetings, and assist the committee with the preparation of metrics and goals. Compensia reports to the committee, not to management. At the committee's request, Compensia meets with members of management to gather and discuss information that is relevant to advising the committee. The committee may replace Compensia or hire additional advisors at any time. Compensia has not provided any other services to the committee or to our management and has received no compensation other than with respect to the services described above. The committee assessed the independence of Compensia pursuant to SEC rules and NASDAQ listing standards, including the following factors: (1) the absence of other services provided by it to the Company; (2) the fees paid to it by the Company as a percentage of its total revenue; (3) its policies and procedures to prevent conflicts of interest; (4) the absence of any business or personal relationships with committee members; (5) the fact that it does not own any Lam common stock; and (6) the absence of any business or personal relationships with our executive officers. The committee assessed this information and concluded that the work of Compensia has not raised any conflict of interest.

[1] *For purposes of this CD&A, a reference to a compensation action or decision by the committee with respect to the NEOs means an action or decision by the compensation committee and, in the case of our chairman and our president and chief executive officer, an action or decision by the independent members of our board of directors upon the recommendation of the committee.*

Role of Management

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

The committee considers the CEO's recommendations within the context of competitive compensation data, the committee's compensation philosophy and objectives, current business conditions, the advice of Compensia, and any other factors it considers relevant. At the request of the committee, our chairman also provides input to the committee.

Our CEO generally attends committee meetings at the request of the committee, but leaves the meeting for any discussion of and decisions regarding his own compensation, when the committee meets in executive session, and at any other time requested by the committee.

Peer Group Practices and Survey Data

In establishing the total compensation levels of our executive officers as well as the mix and weighting of individual compensation elements, the committee monitors compensation data from a group of comparably sized companies in the technology industry, or the "Peer Group," which may differ from peer groups used by proxy advisory firms. The committee selects the companies constituting our Peer Group based on their comparability to our lines of business and industry, annual revenue, and market capitalization, and our belief that we are likely to compete with them for executive talent. Our Peer Group is focused on U.S. based, public semiconductor, semiconductor equipment and materials companies, and similarly sized high-technology equipment and hardware companies. Figure 7 below summarizes how the Peer Group companies compare to the Company:

Figure 7. 2013 Peer Group Revenue and Market Capitalization

Metric	Lam Research Calendar Year 2012 ($M)	Target for Peer Group	Peer Group Median as of December 31, 2012 ($M)
Revenue	3,169	0.5 to 2 times Lam	4,246
Market Capitalization	5,992	0.33 to 3 times Lam	8,861

Based on these criteria, the Peer Group and targets may be modified from time to time. Our Peer Group was reviewed in August 2012 in light of the new Company size following our acquisition of Novellus, and other changes in our industry. Based on the criteria identified above, we added five new peers (Agilent Technologies, Inc.; Corning Incorporated; Juniper Networks, Inc.; Micron Technology, Inc.; and NetApp, Inc.) and removed seven former peers (Altera Corporation; Atmel Corporation; Fairchild Semiconductor International, Inc.; First Solar, Inc.; Molex Incorporated; SunPower Corporation; and Teradyne, Inc.). Our Peer Group consists of the companies listed in Figure 8 below.

Figure 8. CY2013 Peer Group Companies

Advanced Micro Devices, Inc.	LSI Corporation
Agilent Technologies, Inc.	Marvell Technology Group Ltd
Analog Devices, Inc.	Maxim Integrated Products, Inc.
Applied Materials, Inc.	Micron Technology, Inc.
Avago Technologies	NetApp, Inc.
Broadcom Corporation	NVIDIA Corporation
Corning Incorporated	ON Semiconductor Corporation
Juniper Networks, Inc,	SanDisk Corporation
KLA-Tencor Corporation	Xilinx, Inc.

Continues on next page ▶

We derive revenue, market capitalization and NEO compensation data for the Peer Group companies from their public filings with the SEC, other publicly available sources and survey data purchased from Radford. The committee reviews compensation practices and selected data on base salary, bonus targets, total cash compensation, equity awards, and total compensation drawn from the Peer Group companies primarily as a reference to ensure compensation packages are within market norms.

Typically, base pay levels are set near the middle of the market range, and variable pay is designed to deliver above market median compensation for exceptional performance and below market median compensation for poor performance. However, the committee does not "target" pay at any specific percentile. Rather, individual pay positioning depends on a variety of factors, such as prior job performance, job scope and responsibilities, skill set, prior experience, time in position, internal equity regarding pay levels for similar skill levels or positions, external pressures to attract and retain executive talent, Company performance and general market conditions.

2012 Say on Pay Voting Results; Company Response

In 2012, our stockholders voted to approve our 2012 advisory vote on executive compensation, with 94.61% of the votes cast in favor of the advisory proposal. The committee considered this voting result, together with advice from Compensia and the recommendations of management, in deciding not to make any significant design changes to the executive compensation program for awards made during fiscal year 2013. However, in response to comments from proxy advisory firms, we have continued our efforts to improve our disclosure and, in particular, to clarify the description of our executive compensation programs.

III. PRIMARY COMPONENTS OF NAMED EXECUTIVE OFFICER COMPENSATION; CALENDAR YEAR 2012 COMPENSATION PAYOUTS; CALENDAR YEAR 2013 COMPENSATION TARGETS AND METRICS

This section describes the components of our executive compensation program. It also describes, for each component, the payouts to our NEOs for calendar year 2012 and the forward-looking actions taken with respect to our NEOs in calendar year 2013.

Base Salary

We believe the purpose of base salary is to provide competitive compensation to attract and retain top talent and to provide compensation that is fair to employees, including our NEOs, with a fixed amount of compensation for the jobs they perform. Accordingly, we seek to ensure that our base salary levels are competitive in reference to Peer Group practice and market survey data. Adjustments to base salary are generally considered by the committee each year in February.

For calendar years 2012 and 2013, base salaries for then-employed NEOs other than our CEO were determined by the committee in February of each year and became effective on April 1 and March 31, respectively, based on the factors described above. The base salary for Mr. Anstice for calendar year 2012 was set effective January 1, 2012 in connection with his promotion to CEO and was increased effective March 31, 2013 to a more competitive level relative to our Peer Group. Other NEO changes were due to individual performance. The base salaries of the NEOs for calendar years 2012 and 2013 are as follows:

Figure 9. CY2012-CY2013 NEO Base Salaries

Named Executive Officer	Annual Base Salary as of April 2013 ($)	Annual Base Salary as of April 2012 ($)
Martin B. Anstice	775,000	665,000
Timothy M. Archer	575,000	–[1]
Douglas R. Bettinger	485,000[2]	–[2]
Richard A. Gottscho	460,000	438,000
Sarah A. O'Dowd	406,000	386,000
Ernest E. Maddock	500,000	485,000

(1) Mr. Archer commenced employment with Lam on June 4, 2012. Mr. Archer's annual base salary for calendar year 2012 at Novellus (prior to the acquisition) and at Lam (following the acquisition) were $480,000 and $550,000, respectively.

(2) Mr. Bettinger commenced employment with Lam on March 11, 2013. Mr. Bettinger's base salary for calendar year 2013 was determined by the committee in January 2013.

Annual Incentive Program

Design

Our annual incentive program is designed to provide short-term, performance-based compensation that: (i) is based on the achievement of pre-set annual financial, strategic and operational objectives aligned with outstanding performance throughout fluctuating business cycles, and (ii) will allow us to attract and retain top talent, while maintaining cost-effectiveness to the Company. The committee establishes individual target award opportunities for each executive officer as a percentage of base salary. Specific target award opportunities are determined based on job scope and responsibilities, as well as an assessment of Peer Group data. Awards have a maximum payment amount defined as a multiple of the target award opportunity. The maximum award for 2013 was set at 2.25 times target, consistent with prior years.

Annual incentive program components

Annual incentive program components, each of which plays a role in determining actual payments made, include:

- a Funding Factor,
- a Corporate Performance Factor, and
- various Organization Performance Factors.

The Funding Factor is set by the committee to create a maximum payout amount from which annual incentive program payouts may be made. The committee may exercise negative (but not positive) discretion against the Funding Factor result, and generally the entire funded amount is not paid out. Achievement of a minimum level of performance against the Funding Factor goals is required to fund any program payments. In February 2012, for the first half of calendar year 2012, the committee set Lam-standalone non-GAAP operating income[2] as a percentage of revenue as the metric for the Funding Factor, with the following goals: a minimum achievement of 7.5% Lam-standalone non-GAAP operating income as a percentage of revenue was required to fund any program payments, and performance greater than or equal to 20% would result in the maximum payout potential of 225% of target, with actual funding levels interpolated between those points. The committee selected non-GAAP operating income because it believes that operating income is the performance metric that best reflects core operating results. By excluding certain costs and expenses that are not indicative of core results, non-GAAP results are more useful to analyzing business trends over multiple periods. In July 2012, the committee revisited and retained the same metric and goals for the Funding Factor for the second half of calendar year 2012.

As a guide for making payout decisions, the committee primarily tracks the results of the following two components that are weighted equally in making payout decisions, and against which discretion may be applied in a positive or negative direction, provided the Funding Factor result is not exceeded:

- the Corporate Performance Factor is based on corporate-wide metrics and stretch goals that apply to all executive officers, and
- the Organization Performance Factors, which are based on organization-specific metrics and stretch goals, apply to each individual NEO.

The specific metrics and goals, and their relative weightings, for the Corporate Performance Factor are determined by the committee based upon the recommendation of our CEO, and the Organization Performance Factors are determined by our CEO, or in the case of the CEO, by the committee.

The metrics and goals for the Corporate and Organization Performance Factors are set either annually or semi-annually. The semi-annual timeline for the Corporate and Organization Performance Factors has been used to provide flexibility to make adjustments due to changes in our volatile business environment. Goals are set depending on the business environment, to ensure that they are stretch goals regardless of changes in the environment. Accordingly, as business conditions improve, goals are set to require better performance, and as business conditions deteriorate, goals are set to ensure stretch performance under more difficult conditions. Due to the acquisition of Novellus, the metrics and goals for the Corporate and Organization Performance Factors were all set on a semi-annual basis. The Corporate Performance Factor metrics and goals remained the same throughout the calendar 2012 performance period.

[2] Non-GAAP results are designed to provide information about performance without the impact of certain non-recurring and other non-operating line items. Non-GAAP operating income is derived from GAAP results, with charges and credits in the following line items excluded from non-GAAP results for applicable quarters during fiscal years 2013 and 2012: restructuring charges and benefits; acquisition-related and integration-related costs; certain costs associated with a customer bankruptcy filing; costs associated with rationalization of certain product configurations; amortization related to intangible assets acquired in the Novellus transaction; and acquisition-related inventory fair value impact.

Continues on next page ▶

We believe that, over time, outstanding business results create stockholder value. Consistent with this belief, multiple performance-based metrics (non-GAAP operating income, product market share, and strategic operational and organizational metrics) are established for our executive officers as part of the Corporate and Organization Performance Factors.

We use organization specific metrics, including for example, gross margin, market share and achievement against strategic objectives, because we believe these motivate our NEOs and the organizations they lead. We believe the metrics and goals set under this program, together with the exercise of discretion by the committee as described above, have been effective to achieve pay-for-performance results.

Figure 10. CY2010-CY2012 Annual Incentive Program Payouts

Calendar Year	Average NEO's Annual Incentive Payout as % of Target Award Opportunity	Business Environment
2012	93	Demand for semiconductor equipment declined slightly year-over-year as global economic conditions remained weak; positive execution against integration objectives
2011	99	Healthy semiconductor demand under weakening economic conditions; business conditions deteriorated in the second half of calendar year 2011
2010	166	Strong operating performance supported by semiconductor industry demand growth

Calendar year 2012 annual incentive program parameters and payout decisions

In February 2012, the committee set the calendar year 2012 target award opportunity and the metrics and semi-annual goals (revisited in July 2012) for the Corporate Performance and Organization Performance Factors for each then-employed executive officer, including our NEOs. In February 2013, the committee considered the actual results under these factors and made payout decisions for the calendar year 2012 program, all as described below.

2012 Annual Incentive Program Target Award Opportunities. The annual incentive program target award opportunities for calendar year 2012 for each NEO were:

Figure 11. CY2012 Annual Incentive Program Target Award Opportunities

Named Executive Officer[1]	Target Award Opportunity (% of Base Salary)
Martin B. Anstice	125[2]
Timothy M. Archer	100[3]
Richard A. Gottscho	85
Sarah A. O'Dowd	75
Ernest E. Maddock	85

(1) Mr. Bettinger did not participate because his employment with Lam commenced March 11, 2013.
(2) Mr. Anstice was promoted to CEO as of January 1, 2012.
(3) Mr. Archer, having commenced employment with Lam on June 4, 2012, was an eligible participant under the annual incentive program for the second half of calendar year 2012. The prorated portion of his 2012 Lam annual base salary constituting earnings eligible for incentive payouts under the annual incentive program was $304,615.

2012 Annual Incentive Program Corporate Performance Factor. In February 2012, the committee set non-GAAP operating income as a percentage of revenue as the metric for the first half of calendar year 2012 Corporate Performance Factor, and set a goal of 18% of revenue for the first half of the year. In July 2012, the committee revisited and retained the same metric and goal for the Corporate Performance Factor for the second half of the year, calculated on a Lam-standalone basis (without regard to the performance of Novellus). These goals were designed to be stretch goals. Actual non-GAAP operating income percentage was 13% of revenue for the first half of calendar year 2012, resulting in a factor of 0.75 for the first half, and 12% of revenue for the second half, resulting in a factor of 0.71 for the second half. This performance resulted in a total Corporate Performance Factor for calendar year 2012 of 0.73.

2012 Annual Incentive Program Organization Performance Factor. For 2012, the organization-specific performance metrics and goals for each NEO's Organization Performance Factor (other than for

Mr. Archer, who commenced employment with Lam on June 4, 2012, and for Mr. Bettinger, who commenced employment with Lam on March 11, 2013) were set on a semi-annual basis, and were designed to be stretch goals. The Organization Performance Factor for Mr. Anstice for each half of calendar year 2012 and the Organization Performance Factor for Mr. Archer for the second half of calendar year 2012 were based on the average of the Organization Performance Factors of all of the organizations reporting to them. For all other NEOs, their respective Organization Performance Factors were based on market share, merger integration and/or strategic, operational and organizational performance goals specific to the organizations they managed:

- Dr. Gottscho's Organization Performance Factor for the first half of calendar year 2012 was comprised of market share, strategic, operational and organizational development goals for etch (50%) and for clean (50%) and for the second half of calendar 2012 was comprised of market share, strategic, integration, operational and organizational development goals for legacy Lam and legacy Novellus product groups (50% each).
- Ms. O'Dowd's Organization Performance Factor for the first half of calendar year 2012 was comprised of strategic, integration, operational and organizational development goals for global human resources (50%) and for legal (50%) and for the second half of calendar year 2012 was comprised of strategic, integration, operational and organizational development goals for legal (100%).
- Mr. Maddock's Organization Performance Factor was comprised of strategic, integration, operational and organizational development goals for both halves of calendar year 2012 for finance (35%), global information systems (35%), Silfex (20%) and investor relations (10%).

The committee considered the individual NEO goals and actual performance during 2012, as well as the outstanding team effort in integrating Lam and Novellus, and exercised discretion such that each NEO received an Organization Performance Factor of 1.00 for the 2012 calendar year.

2012 Annual Incentive Program Payout Decisions. In addition to considering the Corporate Performance Factor and Organization Performance Factor results, the committee considered the performance of the Company on a combined basis and exercised discretion to increase payouts for those NEOs who were Lam-standalone executive officers during all of calendar 2012 as follows: $55,000 to Mr. Anstice, $36,000 to Dr. Gottscho and Mr. Maddock and $28,000 to Ms. O'Dowd. In February 2013, in light of the Funding Factor results and based on the above results and decisions, the committee made the following payouts for calendar year 2012 for each NEO:

Figure 12. CY2012 Annual Incentive Program Payouts

Named Executive Officer[(1)]	Target Award Opportunity (% of Base Salary)	Target Award Opportunity ($)[(2)]	Maximum Payout under Funding Factor (135% of Target Award Opportunity) ($)[(3)]	Actual Payouts ($)
Martin B. Anstice	125	828,485	1,118,455	771,640
Timothy M. Archer	100	304,615	411,230	263,492
Richard A. Gottscho	85	369,169	498,378	355,332
Sarah A. O'Dowd	75	287,416	388,012	276,615
Ernest E. Maddock	85	409,127	552,321	389,895

(1) Mr. Bettinger did not participate because his employment with Lam commenced March 11, 2013. Mr. Archer was an eligible participant under the annual incentive program for only the second half of calendar year 2012. In accordance with the terms of Mr. Archer's employment agreement with Lam, Mr. Archer was also paid a $360,804 cash bonus for the first half of calendar year 2012 under Novellus' executive bonus program, whose terms were set prior to the merger.

(2) Calculated by multiplying each NEO's eligible earnings for the calendar year 2012 annual incentive program performance period (Mr. Anstice: $662,788; Mr. Archer: $304,615; Dr. Gottscho: $434,317; Ms. O'Dowd: $383,221; Mr. Maddock: $481,326) by their respective target award opportunity percentage.

(3) The Funding Factor resulted in a potential payout of up to 135% of target award opportunity for the calendar year (based on the actual non-GAAP operating income percentage results detailed under "*Annual Incentive Program – Calendar year 2012 annual incentive program parameters and payout decisions – 2012 Annual Incentive Program Corporate Performance Factor*" above and the specific goals set forth in the second paragraph under "*Annual Incentive Program – Annual incentive program components*" above).

Continues on next page ▶

Calendar year 2013 annual incentive program parameters

In February 2013, the committee set the target award opportunity for each NEO (other than Mr. Bettinger for whom the target award opportunity was set on January 14, 2013) as a percentage of base salary, and consistent with prior years set a cap on payments equal to 2.25 times the target award opportunity. The target award opportunity for each NEO is shown in Figure 13 below.

Figure 13. CY2013 Annual Incentive Program Target Award Opportunities

Named Executive Officer[1]	Target Award Opportunity (% of Base Salary)
Martin B. Anstice	150
Timothy M. Archer	110
Douglas R. Bettinger	85
Richard A. Gottscho	85
Sarah A. O'Dowd	80

(1) Mr. Maddock's annual incentive program target award opportunity for calendar year 2013 was set by the committee at 85%.

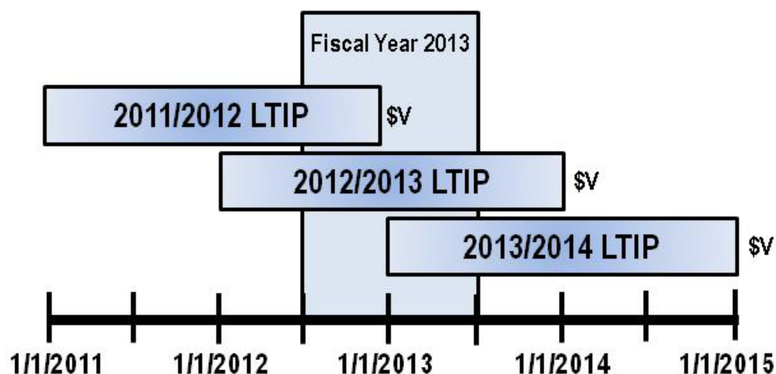
The committee also approved the metric for the Funding Factor and for the Corporate Performance Factor as non-GAAP operating income as a percentage of revenue, and set the annual goal for the Funding Factor and the first half goal for the Corporate Performance Factor. Consistent with program design, the Corporate Performance Factor goal is more difficult to achieve than the Funding Factor goal. Organization Performance Factor metrics and goals were also set for each executive officer. These include strategic and operational performance goals specific to individual business organizations and individuals. As a result, each NEO has multiple performance metrics and goals under this program. Some of the goals set in February were semi-annual goals, and in those cases goals were set for the second half of calendar year 2013 in August 2013.

Long-Term Incentive Program

Design

Our long-term incentive program, or "LTIP," is designed to align pay with achievement of business objectives over a multi-year period, and to create stockholder value over the long term. Our long-term incentive program operates on overlapping two-calendar year cycles. Because each performance period covers performance in two calendar years, three performance cycles affect compensation during each fiscal year.

Figure 14. FY2013 LTIP Programs



"$V" Reflects timing of cash payment and cliff vesting of equity awards

The components of the long-term incentive program are:

- Cash Incentive Component
- Equity Incentive Component

At the beginning of each two-year cycle, target award opportunities and performance metrics are established for each program component. Of the total target award opportunity, 50% is expressed in performance-contingent cash and the other 50% is awarded in equity.

Consistent with our philosophy of paying for performance, the long-term incentive program has been designed to be 75% performance-based and 25% service-based. We consider goal-based RSUs and stock options as performance-based, but do not classify service-based RSUs as performance-based. The cash incentive component of the program is entirely performance-based, and the equity incentive component has typically been half performance-based and half service-based. A deviation from the long-term program design was made in 2012 as a result of the acquisition of Novellus. The transaction had been announced, but had not been concluded, when compensation decisions were made in February 2012 and, as a result, management had not set long-term goals for the combined organization by that time. As a result, and to aid retention during the integration period, for the 2012/2013 performance period, the long-term incentive program pay components were 50% performance-based and 50% service-based. Since this was a deviation from the historical program design in effect for all periods discussed other than calendar year 2012, we reference the 75% performance-based mix in describing the program design.

Target Award Opportunity

Under the long-term incentive program, the committee sets a target award opportunity for each participant based on the executive's position and responsibilities and an assessment of competitive compensation data. Payouts are limited to a maximum of 2.5 times the target amounts. The target amounts (which included both the cash and equity long-term incentive awards) for each NEO under the three program cycles affecting fiscal year 2013 are as follows:

Figure 15. 2011/2012 to 2013/2014 Long-Term Incentive Program Target Award Opportunities

Named Executive Officer[(1)]	Long-Term Incentive Program Performance Period	Target Award Opportunity ($)
Martin B. Anstice	2013/2014	5,000,000
	2012/2013	3,500,000
	2011/2012	2,400,000
Timothy M. Archer	2013/2014	3,000,000
	2012/2013	2,500,000
Douglas R. Bettinger	2013/2014	2,000,000
Richard A. Gottscho	2013/2014	2,075,000
	2012/2013	1,600,000
	2011/2012	1,600,000
Sarah A. O'Dowd	2013/2014	1,258,000
	2012/2013	1,250,000
	2011/2012	1,250,000
Ernest E. Maddock	2013/2014	[(2)]
	2012/2013	1,600,000
	2011/2012	1,600,000

(1) Mr. Archer did not participate in the 2011/2012 long-term incentive program because his employment with Lam commenced June 4, 2012. Mr. Bettinger did not participate in the 2011/2012 and 2012/2013 long-term incentive programs because his employment with Lam commenced March 11, 2013.

(2) The committee approved a target award opportunity of $800,000 for Mr. Maddock under the 2013/2014 LTIP-Cash portion of the program. No target award opportunity was approved for the 2013/2014 LTIP-Equity portion of the program.

Continues on next page ▶

Long-Term Cash Incentive Component

The cash component of the programs is 100% performance-based and is designed to:

- motivate outstanding performance at the corporate levels and to create long-term stockholder value,
- attract and retain top talent, and
- optimize value to employees while maintaining cost-effectiveness to the Company.

The committee sets performance metrics under each two-year performance period on an annual basis. Goals against the metrics are set every six months to allow the committee to react to changes in the external business environment. When business conditions improve, goals are set to require stronger performance, and when business conditions deteriorate, goals are set to ensure stretch performance under more difficult conditions. We believe this flexibility motivates exceptional performance and delivers stockholder value throughout the fluctuating business cycles we experience.

In addition to motivating outstanding performance, the cash portion of our long-term program builds stockholder value in several ways. First, paying in cash rather than equity reduces dilution for our stockholders. Second, the program has been designed so that we can match the quarterly expense of our cash long-term program to the performance period in which the expense is determined by using non-GAAP operating income as the primary metric for this program. As a result, compensation expense is greater in periods when non-GAAP operating income is higher and lower in periods when non-GAAP operating income is lower. Finally, results determined based on performance against the pre-set goals are adjusted to reflect stock price appreciation occurring during the performance period, aligning results under the program with results realized by our stockholders. The adjustment is made quarterly referencing a ratio of (x) the market price of our common stock over a 50-trading-day period to (y) the market price of our common stock over a 200-trading-day period, if the ratio is greater than one. Thus the final payout amount is determined by achievement against the performance goals adjusted by stock price appreciation, or the "stock price appreciation metric," and subject to the cap the committee sets and any negative discretion the committee might exercise.

For each two-year performance period, the awards are subject to cliff vesting and payouts are made following the end of the second year to those participants who remain employed on the award determination date. The cliff vesting, rather than annual vesting, assists with both retention and aligning executives with longer-term stockholder interests.

We believe this program has been effective in achieving pay-for-performance results, as shown in Figure 16 below.

Figure 16. 2009/2010 to 2011/2012 Long-Term Cash Payouts

Long-Term Cash Cycle	Average Long-Term Cash Payout as % of Target Award Opportunity	Business Environment
2011/2012	84	**2012**: Demand for semiconductor equipment declined slightly year-over-year as global economic conditions remained weak; positive execution against integration objectives **2011**: Healthy semiconductor demand under weakening economic conditions; business conditions deteriorated in the second half of calendar year 2011
2010/2011	165	**2011**: Healthy semiconductor demand under weakening economic conditions; business conditions deteriorated in the second half of calendar year 2011 **2010**: Strong operating performance supported by semiconductor industry demand growth
2009/2010	119	**2010**: Strong operating performance supported by semiconductor industry demand growth **2009**: Difficult business environment of global downturn continued through the first half of calendar year 2009; improved conditions in the second half of calendar year 2009

Payout decisions under the 2011/2012 long-term cash program. In February 2013, the committee determined payouts for the 2011/2012 performance cycle. The starting price for determination of the stock price appreciation metric was $41.21, which is based on a 200-day moving average as of December 23, 2010. The performance metric for both years of the program was non-GAAP operating income as a percentage of revenue, and goals were set semi-annually and measured on a quarterly basis. During the performance period, these goals ranged from $115 million per quarter to $170 million per quarter, reflecting stretch goals under then-prevailing business conditions. Actual quarterly performance of non-GAAP operating income ranged from 29% to 117% of goal. Without regard to stock price appreciation, the resulting payout would have been 75% of target for the entire period. However, the stock price appreciation metric served to increase the payouts to 84% of target.

Payouts for the eligible NEOs were awarded at 84% of target, as shown in Figure 17 below.

Figure 17. 2011/2012 Long-Term Cash Payouts

Named Executive Officer[1]	Cash Target Award Opportunity ($)	Cash Payout ($)
Martin B. Anstice	1,200,000	1,009,325
Richard A. Gottscho	800,000	672,883
Sarah A. O'Dowd	625,000	525,690
Ernest E. Maddock	800,000	672,883

(1) Messrs. Archer and Bettinger did not participate because their employment with Lam commenced June 4, 2012 and March 11, 2013, respectively.

Calendar year 2012 and 2013 decisions under the 2012/2013 long-term cash program. Target award amounts were set in February 2012 for the 2012/2013 program, and are shown in Figure 18 below. At that time, the committee also set non-GAAP operating income as the performance metric for the 2012 calendar year portion of the 2012/2013 program and set the starting price for measuring stock price appreciation for the 2012 calendar year at $43.45, the 200-day moving average as of December 23, 2011. In February 2013, the committee retained non-GAAP operating income as a percentage of revenue as the performance metric and set $36.93, the 200-day moving average as of December 21, 2012, as the starting price for measuring stock price appreciation for the 2013 calendar year portion of the program. Specific goals against the non-GAAP operating income metric were set in advance on a six-month basis throughout the two-year period and were designed to be stretch goals. For the second half of 2012, which was shortly after consummation of the Novellus merger, goals were set on a Lam-standalone basis (without regard to the performance of Novellus). Payouts for the 2012/2013 program will be determined and made in February 2014 to eligible NEOs.

Figure 18. 2012/2013 Long-Term Cash Target Award Opportunities

Named Executive Officer[1]	Cash Target Award Opportunity ($)
Martin B. Anstice	1,750,000
Timothy M. Archer[2]	1,250,000
Richard A. Gottscho	800,000
Sarah A. O'Dowd	625,000
Ernest E. Maddock[3]	800,000

(1) Mr. Bettinger did not participate because his employment with Lam commenced March 11, 2013.
(2) Mr. Archer's target cash award is split ratably for his participation eligibility, June 2012 to December 2013.
(3) Mr. Maddock's employment ceased on April 19, 2013. Under the terms of his employment agreement, Mr. Maddock received a cash award for the period of his participation in April 2013.

Calendar year 2013 decisions under the 2013/2014 long-term cash program. In February 2013, the committee set target award amounts for each then-employed NEO expected to continue as such under the 2013/2014 program, established the performance metric for calendar year 2013 as non-GAAP operating income as a percentage of revenue, and set the starting price for measuring stock price appreciation for the 2013 calendar year at $36.93, the 200-day moving average as of December 21, 2012. Goals against the non-GAAP operating income were also set in February for the first half of calendar year 2013, and in August 2013

Continues on next page ▶

for the second half, and in each case were designed to be stretch goals. Payouts under this program will be determined and made in February 2015 to eligible NEOs.

The target cash award opportunity for each eligible NEO under the 2013/2014 long-term cash program is shown in Figure 19 below.

Figure 19. 2013/2014 Long-Term Cash Target Award Opportunities

Named Executive Officer[(1)]	Cash Target Award Opportunity ($)
Martin B. Anstice	2,500,000
Timothy M. Archer	1,500,000
Douglas R. Bettinger	1,000,000
Richard A. Gottscho	1,037,500
Sarah A. O'Dowd	629,000

(1) Mr. Maddock's target award amount for the 2013/2014 long-term incentive cash program was set at $800,000. Mr. Maddock's employment ceased on April 19, 2013. Under the terms of his employment agreement, Mr. Maddock received a cash award for the period of his participation in May 2013.

Long-Term Equity Incentive Component

The equity portion of the long-term incentive program is designed to attract and retain top talent, provide competitive levels of compensation and to reward our executive officers for outstanding Company performance and long-term stock price appreciation. Historically, half of the equity award (25% of the total long-term incentive award opportunity) has been performance-based, delivered in either performance-vested RSUs or stock options. The remaining half of the equity award (25% of the total long-term incentive award opportunity) has been delivered through service-vested RSUs. The performance-based equity component of the long-term program is reviewed annually to determine whether performance-based RSUs or stock options are the most appropriate form for the award based on criteria such as the current business environment and the perceived potential value to motivate and retain the executives. Awards cliff vest two years after the grant date, depending on continued employment and, in the case of performance-based RSUs, on performance against specified metrics and goals. The cliff vesting, rather than annual vesting, provides for both retention and for aligning executives with longer-term stockholder interests.

Vesting and performance results under the 2011/2012 long-term equity program. On March 4, 2011, the committee made a grant to each NEO under the 2011/2012 long-term equity program of performance-based and service-based RSUs with a combined value equal to 50% of the NEO's total target award amount, as shown in Figure 20. To determine the number of performance-based and service-based RSUs, the NEO's long-term equity target award opportunity amount was divided by $58.27, the closing price of our common stock on the grant date for each award type. On the same date, the performance criteria for the performance-based RSUs were set. The performance metric was non-GAAP operating income as a percentage of revenue, and vesting was determined based on the higher of the actual calendar year 2011 or calendar year 2012 non-GAAP operating incomes, which in 2011 was 18.1% and in 2012 was 12.5%. Maximum vesting under the performance-based award is 100%, and the minimum is 0%. The award determination date for all of the performance-based and service-based RSUs under this program was March 4, 2013. On that date, the service-based awards vested due to the passage of time, and the performance-based awards vested at 92.4% under the previously set performance criteria.

Figure 20. 2011/2012 Long-Term Equity Vesting

Named Executive Officer[(1)]	Equity Target Award Opportunity ($)	Target Service-based Restricted Stock Units Award (#)	Vested Service-based Restricted Stock Units Award (#)	Target Performance-Based Restricted Stock Units Award (#)	Vested Performance-based Restricted Stock Units Award (#)
Martin B. Anstice	1,200,000	10,296	10,296	10,296	9,513
Richard A. Gottscho	800,000	6,864	6,864	6,864	6,342
Sarah A. O'Dowd	625,000	5,362	5,362	5,362	4,954
Ernest E. Maddock	800,000	6,864	6,864	6,864	6,342

(1) Messrs. Archer and Bettinger did not participate because their employment with Lam commenced June 4, 2012 and March 11, 2013, respectively.

Awards under the 2012/2013 long-term equity program. Under the 2012/2013 long-term equity program, the committee made a grant to each NEO other than Messrs. Archer and Bettinger, who were not then employees, of service-based RSUs with a grant date of February 7, 2012 and a combined value equal to 50% of the NEO's total target award amount, as shown in Figure 21. For Mr. Archer, the committee made a grant on August 3, 2012 equal to 50% of Mr. Archer's total target award amount, as shown in Figure 21, based on the closing price of our common stock on the grant date of $34.57. To determine the number of service-based RSUs, the NEO's equity target dollar amount was divided by $43.38, the closing price of our common stock on the grant date. The award determination date will be February 7, 2014, subject to continued employment through such date.

Figure 21. 2012/2013 Long-Term Equity Awards

Named Executive Officer[1]	Equity Target Award Opportunity ($)	Service-based Restricted Stock Units Award (#)
Martin B. Anstice	1,750,000	40,341
Timothy M. Archer	1,250,000	36,158
Richard A. Gottscho	800,000	18,441
Sarah A. O'Dowd	625,000	14,407
Ernest E. Maddock[2]	800,000	18,441

(1) Mr. Bettinger did not participate because his employment with Lam commenced March 11, 2013.
(2) Mr. Maddock's employment ceased on April 19, 2013. Under the terms of his employment agreement, Mr. Maddock received a prorated amount of the awarded service-based RSUs for the period of his participation in April 2013.

Calendar year 2013 decisions for the 2013/2014 long-term equity program. On February 8, 2013, the committee made a grant under the 2013/2014 long-term equity program to each NEO expected to continue as such (other than Mr. Bettinger, who was not then an employee of the Company), of options and RSUs with a combined value equal to 50% of the NEO's total target award amount, as shown in Figure 22. The committee made a comparable grant for Mr. Bettinger effective as of March 11, 2013. The number of shares of Lam common stock into which the options are exercisable is three times the number of the RSUs granted. The options have a term of seven years and cliff vest on February 8, 2015, subject to continued employment. To determine the number of RSUs, 50% of the NEO's long-term equity target dollar amount was divided by $42.61, the closing price of our common stock on February 8, 2013 for all NEOs other than Mr. Bettinger, and $42.41, the closing price of our common stock on March 11, 2013, for Mr. Bettinger. The number of shares underlying the options issued for the other 50% of the target dollar amount was determined, based on a Black Scholes value analysis, by using a ratio of three options for every RSU. The RSUs also cliff vest on February 8, 2015, subject to continued employment.

Figure 22. 2013/2014 Long-Term Equity Awards

Named Executive Officer[1]	Equity Target Award Opportunity ($)	Service-based Restricted Stock Units Award (#)	Stock Options Award (#)
Martin B. Anstice	2,500,000	29,335	88,005
Timothy M. Archer	1,750,000	17,601	52,803
Douglas R. Bettinger	1,000,000	11,789	35,367
Richard A. Gottscho	1,037,500	12,174	36,522
Sarah A. O'Dowd	629,000	7,380	22,140

(1) Mr. Maddock did not participate because it was known at the time that his employment with Lam would cease on April 19, 2013 and there would be no opportunity for a grant to vest, in accordance with the terms of his employment contract.

Continues on next page ▶

Employment/Change in Control Arrangements

The Company has entered into employment agreements with Messrs. Anstice, Archer, Bettinger and Maddock and Dr. Gottscho, and change in control agreements with our other executive officers, including Ms. O'Dowd, during the fiscal year. The Company entered into new employment agreements to replace an expiring employment agreement with Mr. Maddock and an expiring change in control agreement with Dr. Gottscho and a new change in control agreement with Ms. O'Dowd to replace an expiring change in control agreement. The Company enters into these agreements to help attract and retain our NEOs and believes that these agreements help facilitate a smooth transaction and transition in connection with a change-in-control event. The employment agreements generally provide for designated payments in the event of an involuntary termination of employment, death or disability, as such terms are defined in the applicable agreements. The employment agreements, and also the change in control agreements, generally provide for designated payments in the case of a change in control when coupled with an involuntary termination (*i.e.*, a double trigger is required before payment is made due to, a change in control), as such terms are defined in the applicable agreements.

For additional information about these arrangements and detail about post-termination payments under these arrangements, see the *"Potential Payments Upon Termination or Change in Control"* section below.

Other Benefits Not Available to All Employees

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

Supplemental Health & Welfare. We provide certain health and welfare benefits not generally available to other employees, including the payment of premiums for supplemental long-term disability insurance and Company-provided coverage in the amount of $1 million for both life and accidental death and dismemberment insurance for all NEOs other than Mr. Maddock, whose coverage ended upon his termination. Until January 1, 2013, the Company also provided an executive medical, dental, and vision reimbursement program that reimbursed executive officers' cost of medical, dental, and vision expenses in excess of the regular employee plans through the end of 2012.

We also provide post-retirement medical and dental insurance coverage for eligible former executive officers under our Executive Retirement Medical, Dental, and Vision Plan, subject to certain eligibility requirements. The program was closed to new executive officers as of January 1, 2013. We have an independent actuarial valuation of this post-retirement benefit conducted annually in accordance with generally accepted accounting principles. The most recent valuation was conducted in June 2013 and reflected the following retirement benefit obligation for the NEOs:

Figure 23. Post-Retirement Benefit Obligations as of June 2013

Named Executive Officer[1]	Fiscal Year 2013 ($)
Martin B. Anstice	232,000
Timothy M. Archer	43,000
Richard A. Gottscho	443,000
Sarah A. O'Dowd	328,000
Ernest E. Maddock	871,000

[1] Mr. Bettinger was not eligible to be a participant.

IV. TAX AND ACCOUNTING CONSIDERATIONS

Deductibility of Executive Compensation

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

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

To facilitate the deductibility of compensation payments under section 162(m), in fiscal year 2004, we initially adopted the Executive Incentive Plan, or "EIP," and obtained stockholder approval for the EIP at that time. We most recently amended this plan and obtained stockholder approval for the amendment in calendar year 2010. Both the Annual Incentive Program and the Long-term Incentive Program are administered under the EIP. The annual program awards and the long-term cash awards to our NEOs generally qualify for deductibility under section 162(m) to the extent practicable.

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

The committee monitors the application of section 162(m) and the associated Treasury regulations and considers the advisability of qualifying our executive compensation for deductibility of such compensation. The committee's policy is to qualify our executive compensation for deductibility under applicable tax laws to the extent practicable and where the committee believes it is in the best interests of the Company and its stockholders.

Taxation of "Parachute" Payments

Sections 280G and 4999 of the Code provide that "disqualified individuals" within the meaning of the Code (which generally includes certain officers, directors and employees of the Company) may be subject to additional taxes if they receive payments or benefits in connection with a change in control of the corporation that exceeds certain prescribed limits. The corporation or its successor may also forfeit a deduction on the amounts subject to this additional tax.

We did not provide any of our executive officers, including any NEO, any director, or any other service provider with a "gross-up" or other reimbursement payment for any tax liability that the individual might owe as a result of the application of sections 280G or 4999 during fiscal year 2012, and we have not agreed and are not otherwise obligated to provide any individual with such a "gross-up" or other reimbursement as a result of the application of sections 280G and 4999.

Internal Revenue Code Section 409A

Section 409A of the Code imposes significant additional taxes on an executive officer, director, or service provider that receives non-compliant "deferred compensation" that is within the scope of section 409A. Among other things, section 409A potentially applies to the cash awards under the long-term incentive program, the Elective Deferred Compensation Plan, certain equity awards, and severance arrangements.

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

Accounting for Stock-Based Compensation

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

Continues on next page ▸

Compensation Committee Report

The compensation committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K. Based on this review and discussion, the compensation committee has recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement and the Company's Annual Report on Form 10-K.

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

MEMBERS OF THE COMPENSATION COMMITTEE

Youssef A. El-Mansy
Christine A. Heckart
Grant M. Inman
Abhijit Y. Talwalkar (Chair)

Compensation Committee Interlocks and Insider Participation

None of the committee members has ever been an officer or employee of Lam Research. No interlocking relationship exists or existed during fiscal year 2013 between any member of our compensation committee and any member of any other company's board of directors or compensation committee.

Executive Compensation Tables

The following tables show compensation information for our named executive officers.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)[1]	Option Awards ($)[2]	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)[3]	Total ($)
Martin B. Anstice *President and Chief Executive Officer*	2013	776,904[7]	0	1,249,964	1,150,947	2,376,731[12]	17,106	5,571,653
	2012	605,288	0	1,749,993	0	1,463,810[13]	22,337	3,841,428
	2011	512,738	0	1,199,896	0	2,518,831[14]	16,459	4,247,924
Timothy M. Archer *Executive Vice President and Chief Operating Officer*[4]	2013	574,313[7]	0	1,999,961[10]	690,568	1,738,388[15]	124,204	5,127,434
Douglas R. Bettinger *Executive Vice President and Chief Financial Officer*[5]	2013	149,231	0	2,499,942[11]	459,159	272,269[16]	2,529	3,383,130
Richard A. Gottscho *Executive Vice President, Global Products*	2013	487,735[7]	500[8]	518,734	613,299	1,098,839[17]	15,786	2,734,893
	2012	427,942	5,609[9]	799,971	0	905,832[18]	19,959	2,159,312
	2011	396,781	0	1,248,731	0	1,799,597[19]	18,913	3,464,022
Sarah A. O'Dowd *Senior Vice President, Chief Legal Officer*	2013	432,782[7]	0	314,462	371,788	808,050[20]	12,427	1,939,509
	2012	377,596	0	624,976	0	774,526[21]	15,355	1,792,453
	2011	363,753	0	624,887	0	1,611,267[22]	16,783	2,616,690
Ernest E. Maddock *Former Executive Vice President and Chief Financial Officer*[6]	2013	446,553[7]	0	0	0	799,356[23]	694,553	1,940,462
	2012	474,261	0	799,971	0	1,012,865[24]	18,413	2,305,510
	2011	457,194	0	799,931	0	2,096,358[25]	18,069	3,371,552

[1] The amounts shown in this column represent the value of RSU awards granted in accordance with ASC 718. However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The assumptions used to calculate the fair value of the RSUs in fiscal year 2013 are set forth in Note 11 in the Notes to Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2013.
[2] The amounts shown in this column represent the value of the stock option awards granted in accordance with ASC 718. However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The assumption used to calculate the fair value of stock options in fiscal year 2013 are set forth in Note 11 in the Notes to Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2013.
[3] Please refer to the "*All Other Compensation Table*," which immediately follows this table, for additional information.
[4] Mr. Archer was appointed Executive Vice President and Chief Operating Officer on June 4, 2012.
[5] Mr. Bettinger was appointed Executive Vice President and Chief Financial Officer on March 11, 2013.
[6] Mr. Maddock's employment with Lam ceased on April 19, 2013.
[7] Includes vacation payouts of $71,615 for Mr. Anstice; $7,485 for Mr. Archer; $36,005 for Dr. Gottscho; $34,167 for Ms. O'Dowd; and $44,530 for Mr. Maddock.
[8] Represents a patent award.
[9] Represents a patent award and a bonus equal to the additional income tax due to section 409A for certain stock option awards.
[10] Represents grants of service-based RSUs: under the 2012/2013 LTIP-Equity, granted August 3, 2012 in accordance with the terms of his employment agreement (effective June 4, 2012) entered into in connection with the acquisition of Novellus; and under the 2013/2014 LTIP-Equity, granted February 8, 2013.
[11] Represents grant of service-based RSUs under the 2013/2014 LTIP-Equity and a new hire grant of service-based RSUs with a dollar value equal to $2,000,000 in accordance with the terms of his employment agreement.
[12] Represents $771,640 earned by Mr. Anstice under the 2012 Annual Incentive Program, or "AIP," $183,446 accrued on Mr. Anstice's behalf for the performance during fiscal year 2013 under the 2011/2012 cash portion of the Long-Term Incentive Program, or "LTIP-Cash," $740,974 accrued on Mr. Anstice's behalf for the performance during fiscal year 2013 under the 2012/2013 LTIP-Cash, and $680,671 accrued on Mr. Anstice's behalf for the performance during fiscal

year 2013 under the 2013/2014 LTIP-Cash. Mr. Anstice has received the amounts accrued under the 2011/2012 LTIP-Cash, and will be eligible to receive the amounts accrued under the 2012/2013 and 2013/2014 LTIP-Cash programs if he remains employed by Lam through the respective award determination dates in February 2014 and February 2015.

(13) Represents $521,125 earned by Mr. Anstice under the 2011 AIP, $233,936 accrued on Mr. Anstice's behalf for the performance during fiscal year 2012 under the 2010/2011 LTIP-Cash, $405,171 accrued on Mr. Anstice's behalf for the performance during fiscal year 2012 under the 2011/2012 LTIP-Cash, and $303,578 accrued on Mr. Anstice's behalf for the performance during fiscal year 2012 under the 2012/2013 LTIP-Cash. Mr. Anstice has received the amounts accrued under the 2010/2011 and 2011/2012 LTIP-Cash programs and will be eligible to receive the amount accrued under the 2012/2013 LTIP-Cash if he remains employed by Lam through the award determination date in February 2014.

(14) Represents $629,285 earned by Mr. Anstice under the 2010 AIP, $433,868 accrued on Mr. Anstice's behalf for the performance during fiscal year 2011 under the 2009/2010 LTIP-Cash, $1,033,893 accrued on Mr. Anstice's behalf for the performance during fiscal year 2011 under the 2010/2011 LTIP-Cash, and $421,785 accrued on Mr. Anstice's behalf for the performance during fiscal year 2011 under the 2011/2012 LTIP-Cash. Mr. Anstice has received the amounts accrued under the 2009/2010, 2010/2011 and 2011/2012 LTIP-Cash programs.

(15) Represents $263,492 earned by Mr. Archer under the 2012 AIP, $360,804 earned by Mr. Archer in accordance with the terms of his employment agreement under the 2012 Novellus Executive Bonus Program for performance during the second half of fiscal year 2012, $705,689 accrued on Mr. Archer's behalf for the performance during the first half of fiscal year 2013 under the 2012/2013 LTIP-Cash, and $408,403 accrued on Mr. Archer's behalf for the performance during fiscal year 2013 under the 2013/2014 LTIP-Cash. Mr. Archer will be eligible to receive the amounts accrued under the 2012/2013 and 2013/2014 LTIP-Cash programs if he remains employed by Lam through the respective award determination dates in February 2014 and February 2015.

(16) Represents $272,269 accrued on Mr. Bettinger's behalf for the performance during fiscal year 2013 under the 2013/2014 LTIP-Cash. Mr. Bettinger will be eligible to receive the amount accrued under the 2013/2014 LTIP-Cash if he remains employed by Lam through the award determination date in February 2015.

(17) Represents $355,332 earned by Dr. Gottscho under the 2012 AIP, $122,297 accrued on Dr. Gottscho's behalf for the performance during fiscal year 2013 under the 2011/2012 LTIP-Cash, $338,731 accrued on Dr. Gottscho's behalf for the performance during fiscal year 2013 under the 2012/2013 LTIP-Cash, and $282,479 accrued on Dr. Gottscho's behalf for the performance during fiscal year 2013 under the 2013/2014 LTIP-Cash. Dr. Gottscho has received the amount accrued under the 2011/2012 LTIP-Cash, and will be eligible to receive the amounts accrued under the 2012/2013 and 2013/2014 LTIP-Cash programs if he remains employed by Lam through the respective award determination dates in February 2014 and February 2015.

(18) Represents $339,032 earned by Dr. Gottscho under the 2011 AIP, $157,907 accrued on Dr. Gottscho's behalf for the performance during fiscal year 2012 under the 2010/2011 LTIP-Cash, $270,114 accrued on Dr. Gottscho's behalf for the performance during fiscal year 2012 under the 2011/2012 LTIP-Cash, and $138,779 accrued on Dr. Gottscho's behalf for the performance during fiscal year 2012 under the 2012/2013 LTIP-Cash. Dr. Gottscho has received the amounts accrued under the 2010/2011 and 2011/2012 LTIP-Cash programs, and will be eligible to receive the amount accrued under the 2012/2013 LTIP-Cash if he remains employed by Lam through the award determination date in February 2014.

(19) Represents $508,144 earned by Dr. Gottscho under the 2010 AIP, $312,385 accrued on Dr. Gottscho's behalf for the performance during fiscal year 2011 under the 2009/2010 LTIP-Cash, $697,878 accrued on Dr. Gottscho's behalf for the performance during fiscal year 2011 under the 2010/2011 LTIP-Cash, and $281,190 accrued on Dr. Gottscho's behalf for the performance during fiscal year 2011 under the 2011/2012 LTIP-Cash. Dr. Gottscho has received the amounts accrued under the 2009/2010, 2010/2011 and 2011/2012 LTIP-Cash programs.

(20) Represents $276,615 earned by Ms. O'Dowd under the 2012 AIP, $95,545 accrued on Ms. O'Dowd's behalf for the performance during fiscal year 2013 under the 2011/2012 LTIP-Cash, $264,633 accrued on Ms. O'Dowd's behalf for the performance during fiscal year 2013 under the 2012/2013 LTIP-Cash, and $171,257 accrued on Ms. O'Dowd's behalf for the performance during fiscal year 2013 under the 2013/2014 LTIP-Cash. Ms. O'Dowd has received the amount accrued under the 2011/2012 LTIP-Cash, and will be eligible to receive the amounts accrued under the 2012/2013 and 2013/2014 LTIP-Cash programs if she remains employed by Lam through the respective award determination dates in February 2014 and February 2015.

(21) Represents $308,868 earned by Ms. O'Dowd under the 2011 AIP, $146,210 accrued on Ms. O'Dowd's behalf for the performance during fiscal year 2012 under the 2010/2011 LTIP-Cash, and $211,027 accrued on Ms. O'Dowd's behalf for the performance during fiscal year 2012 under the 2011/2012 LTIP-Cash and $108,421 accrued on Ms. O'Dowd's behalf for the performance during fiscal year 2012 under the 2012/2013 LTIP-Cash. Ms. O'Dowd has received the amounts accrued under the 2010/2011 and 2011/2012 LTIP-Cash programs, and will be eligible to receive the amount accrued under the 2012/2013 LTIP-Cash if she remains employed by Lam through the award determination date in February 2014.

(22) Represents $435,498 earned by Ms. O'Dowd under the 2010 AIP, $309,906 accrued on Ms. O'Dowd's behalf for the performance during fiscal year 2011 under the 2009/2010 LTIP-Cash, $646,183 accrued on Ms. O'Dowd's behalf for the performance during fiscal year 2011 under the 2010/2011 LTIP-Cash, and $219,680 accrued on Ms. O'Dowd's behalf for the performance during fiscal year 2011 under the 2011/2012 LTIP-Cash. Ms. O'Dowd has received the amounts accrued under the 2009/2010, 2010/2011 and 2011/2012 LTIP-Cash programs.

(23) Represents $389,895 earned by Mr. Maddock under the 2012 AIP, $122,297 accrued on Mr. Maddock's behalf for the performance during fiscal year 2013 under the 2011/2012 LTIP-Cash, $204,730 accrued on Mr. Maddock's behalf for the performance during fiscal year 2013 under the 2012/2013 LTIP-Cash, and $82,433 accrued on Mr. Maddock's behalf for the performance during fiscal year 2013 under the 2013/2014 LTIP-Cash. Mr. Maddock has received the amounts accrued under the 2011/2012, 2012/2013 and 2013/2014 LTIP-Cash programs.

(24) Represents $416,823 earned by Mr. Maddock under the 2011 AIP, $187,149 accrued on Mr. Maddock's behalf for the performance during fiscal year 2012 under the 2010/2011 LTIP-Cash, $270,114 accrued on Mr. Maddock's behalf for the performance during fiscal year 2012 under the 2011/2012 LTIP-Cash, and $138,779 accrued on Mr. Maddock's behalf for the performance during fiscal year 2012 under the 2012/2013 LTIP-Cash. Mr. Maddock has received the amounts accrued under the 2010/2011, 2011/2012 and 2012/2103 LTIP-Cash programs.

(25) Represents $591,375 earned by Mr. Maddock under the 2010 AIP, $396,679 accrued on Mr. Maddock's behalf for the performance during fiscal year 2011 under the 2009/2010 LTIP-Cash, $827,114 accrued on Mr. Maddock's behalf for performance during fiscal year 2011 under the 2010/2011 LTIP-Cash, and $281,190 accrued on Mr. Maddock's behalf for the performance during fiscal year 2011 under the 2011/2012 LTIP-Cash. Mr. Maddock has received the amounts accrued under the 2009/2010, 2010/2011 and 2011/2012 LTIP-Cash programs.

All Other Compensation Table

Name	Fiscal Year	Company Matching Contribution to the Company's Section 401(k) Plan ($)	Company Paid Long-Term Disability Insurance Premiums[1] ($)	Company Paid Life Insurance Premiums[2] ($)	Company Paid Healthcare Insurance Premiums[3] ($)	Company Contribution to the Elective Deferred Compensation Plan ($)	Gross Up[4] ($)	Payments in Regard to Termination of Employment[5] ($)	Total ($)
Martin B. Anstice	2013	8,494	0	1,152	4,960	2,500	0	0	17,106
Timothy M. Archer	2013	14,660	0	1,152	4,960	698	102,734	0	124,204
Douglas R. Bettinger	2013	2,145	0	384	0	0	0	0	2,529
Richard A. Gottscho	2013	8,262	1,174	1,152	4,652	0	546	0	15,786
Sarah A. O'Dowd	2013	4,203	0	1,152	4,571	2,500	0	0	12,427
Ernest E. Maddock	2013	5,156	774	960	4,571	2,500	0	680,591	694,553

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

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

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

(4) Represents the portion of gross up tax amount for applicable federal, state, and local laws applied to Mr. Archer's relocation expenses and Dr. Gottscho's patent award bonus.

(5) Represents the severance Mr. Maddock was paid under the terms of his employment agreement, calculated as the sum of 12 months of base compensation plus an amount equal to 50% of the average of the short-term variable compensation plan payments earned over the last five years of employment.

Continues on next page ▶

Grants of Plan-Based Awards for Fiscal Year 2013									
				Estimated Future Payouts Under Non-Equity Incentive Plan Awards					
Name	Award Type	Grant Date	Approval Date	Target ($)[1]	Maximum ($)[1]	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)[2]	Exercise or Base Price of Option Awards ($/sh)	Grant Date Fair Value of Stock and Option Awards ($)[3]
Martin B. Anstice	Annual Incentive Program	N/A	2/8/2013	1,162,500	2,615,625	0	0	0	0
	LTIP-Cash	N/A	2/8/2013	2,500,000	6,250,000	0	0	0	0
	LTIP-Equity	2/8/2013	2/8/2013	0	0	29,335[4]	0	0	1,249,964
		2/8/2013	2/8/2013	0	0	0	88,005	42.61	1,150,947
Timothy M. Archer	Annual Incentive Program	N/A	2/7/2013	632,500	1,423,125	0	0	0	0
	LTIP-Cash	N/A	2/7/2013	1,500,000	3,750,000	0	0	0	0
		N/A	12/12/2011	1,250,000	3,125,000	0	0	0	0
	LTIP-Equity	2/8/2013	2/7/2013	0	0	17,601[4]	0	0	749,979
		2/8/2013	2/7/2013	0	0	0	52,803	42.61	690,568
		8/3/2012	12/12/2011	0	0	36,158[5]	0	0	1,249,982
Douglas R. Bettinger	Annual Incentive Program	N/A	1/14/2013	412,250	927,563	0	0	0	0
	LTIP-Cash	N/A	1/14/2013	1,000,000	2,500,000	0	0	0	0
	LTIP-Equity	3/11/2013	1/14/2013	0	0	11,789[4]	0	0	499,971
		3/11/2013	1/14/2013	0	0	0	35,367	42.41	459,159
	New Hire	3/11/2013	1/14/2013	0	0	47,158[6]	0	0	1,999,971
Richard A. Gottscho	Annual Incentive Program	N/A	2/7/2013	391,000	879,750	0	0	0	0
	LTIP-Cash	N/A	2/7/2013	1,037,500	2,593,750	0	0	0	0
	LTIP-Equity	2/8/2013	2/7/2013	0	0	12,174[4]	0	0	518,734
		2/8/2013	2/7/2013	0	0	0	36,522	42.61	613,299
Sarah A. O'Dowd	Annual Incentive Program	NA	2/7/2013	324,800	730,800	0	0	0	0
	LTIP-Cash	NA	2/7/2013	629,000	1,572,500	0	0	0	0
	LTIP-Equity	2/8/2013	2/7/2013	0	0	7,380[4]	0	0	314,462
		2/8/2013	2/7/2013	0	0	0	22,140	42.61	371,788
Ernest E. Maddock	Annual Incentive Program	N/A	2/7/2013	425,000	956,250	0	0	0	0
	LTIP-Cash	N/A	5/14/2013	800,000	2,000,000	0	0	0	0

(1) The AIP target and maximum estimated future payouts reflected in this table were calculated using the base salary approved in February 2013, effective as of April 2013. Actual target and maximum future payouts under the AIP are calculated based on actual eligible base earnings.
(2) Represents stock options with a seven-year term, which vest on February 8, 2015, subject to continued employment.
(3) The amounts shown in this column represent the value of RSU and stock option awards granted during fiscal year 2013 in accordance with ASC 718. However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The assumptions used to calculate the fair value of the RSUs in fiscal year 2013 are set forth in Note 11 in the Notes to Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2013.
(4) Represents RSUs with service-based vesting. The RSUs cliff vest on February 8, 2015, subject to continued employment.
(5) Represents RSUs with service-based vesting. The RSUs cliff vest on February 7, 2014, subject to continued employment.
(6) Represents a new hire RSU award with service-based vesting. The RSUs vest 25% on June 30, 2013, September 30, 2013, December 30, 2013 and March 11, 2014, subject to continued employment. In the event that Mr. Bettinger's employment terminates due to a voluntary resignation prior to March 11, 2015, he shall repay in cash or in shares the ratable portion of unearned RSUs relative to his two-year implicit service period.

Outstanding Equity Awards at 2013 Fiscal Year-End						
	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)[1]
Martin B. Anstice	0	0	0	N/A	29,335[2]	1,300,714
	0	88,005[3]	42.61	2/8/2020	0	0
	0	0	0	N/A	40,341[4]	1,788,720
	29,120[5]	0	20.21	2/26/2014	0	0
Timothy M. Archer	0	0	0	N/A	17,601[2]	780,428
	0	52,803[3]	42.61	2/8/2020	0	0
	0	0	0	N/A	36,158[6]	1,603,246
	0	0	0	N/A	37,339[7]	1,655,611
	20,250[8]	20,250[8]	29.34	12/16/2020	0	0
	56,250[9]	28,125[9]	21.28	12/17/2019	0	0
	56,250[10]	0	23.25	12/13/2017	0	0
	73,125[11]	0	29.68	12/14/2016	0	0
	45,000[12]	0	22.01	12/15/2015	0	0
	33,750[13]	0	24.43	12/16/2014	0	0
Douglas R. Bettinger	0	0	0	N/A	11,789[14]	522,724
	0	0	0	N/A	35,369[15]	1,568,261
	0	35,367[16]	42.41	3/11/2020	0	0
Richard A. Gottscho	0	0	0	N/A	12,174[2]	539,795
	0	36,522[3]	42.61	2/8/2020	0	0
	0	0	0	N/A	18,441[4]	817,674
Sarah A. O'Dowd	0	0	0	N/A	7,380[2]	327,229
	0	22,140[3]	42.61	2/8/2020	0	0
	0	0	0	N/A	14,407[4]	638,806
	38,658[5]	0	20.21	2/26/2014	0	0
Ernest E. Maddock	0	0	0	N/A	0	0

(1) Calculated by multiplying the number of unvested shares by $44.34, the closing price per share of our common stock on June 28, 2013.
(2) RSUs were granted on February 8, 2013. On February 8, 2015, 100% of the RSUs will vest provided that the person remains an employee on such date.
(3) Options were granted on February 8, 2013. On February 8, 2015, 100% of the options will vest provided that the person remains an employee on such date.
(4) RSUs were granted on February 7, 2012. On February 7, 2014, 100% of the RSUs will vest provided that the person remains an employee on such date.
(5) Options were granted on February 26, 2009. On February 26, 2011, 100% of the options vested.
(6) RSUs were granted on August 3, 2012. On February 7, 2014, 100% of the RSUs will vest provided that Mr. Archer remains an employee on such date.
(7) RSUs were granted on December 14, 2011. As of the end of fiscal year 2013, 50% of the RSUs granted on December 14, 2011 had vested. On December 14, 2013, the remaining unvested RSUs will vest provided that Mr. Archer remains an employee on such date.
(8) Options were granted on December 16, 2010. As of the 2013 fiscal year-end, 50% of the options granted on December 16, 2010 had vested. On December 16, 2013 and December 16, 2014, 25% of the remaining unvested options will vest provided that Mr. Archer remains an employee on such date.
(9) Options were granted on December 17, 2009. As of the 2013 fiscal year-end, two thirds of the options granted on December 17, 2009 had vested. On December 17, 2013, the remaining unvested options will vest provided that Mr. Archer remains an employee on such date.
(10) Options were granted on December 13, 2007 and vested at a rate of 25% per year on each anniversary of the grant date.
(11) Options were granted on December 14, 2006 and vested at a rate of 25% per year on each anniversary of the grant date.
(12) Options were granted on December 15, 2005 and vested at a rate of 25% per year on each anniversary of the grant date.
(13) Options were granted on December 16, 2004 and vested at a rate of 25% per year on each anniversary of the grant date.
(14) RSUs were granted on March 11, 2013. On February 8, 2015, 100% of the RSUs will vest provided that Mr. Bettinger remains an employee on such date.
(15) RSUs were granted on March 11, 2013. As of the end of fiscal year 2013, 25% of the RSUs granted on March 11, 2013 had vested. On each of September 30, 2013, December 30, 2013 and March 11, 2014, 25% of the remaining unvested RSUs will vest provided that Mr. Bettinger remains an employee on such date.
(16) Options were granted on March 11, 2013. On February 8, 2015, 100% of the options will vest provided that Mr. Bettinger remains an employee on such date.

Continues on next page ▶

Option Exercises and Stock Vested for Fiscal Year 2013[1]				
	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Martin B. Anstice	0	0	19,809	843,665
Timothy M. Archer	82,688	1,990,753	37,338	1,357,983
Douglas R. Bettinger	0	0	11,789	522,724
Richard A. Gottscho	0	0	13,206	562,444
Sarah A. O'Dowd	0	0	10,316	439,358
Ernest E. Maddock	24,480	532,941	23,963	1,010,257

(1) The table shows all stock options exercised and the value realized upon exercise, and all stock awards vested and the value realized upon vesting, by the NEOs during fiscal year 2013, which ended on June 30, 2013.

Non-Qualified Deferred Compensation for Fiscal Year 2013				
Name	Executive Contributions in FY13 ($)[1]	Registrant Contributions in FY13 ($)[2]	Aggregate Earnings in FY13 ($)[3]	Aggregate Balance at FYE13 ($)[4]
Martin B. Anstice	171,525	2,500	434,814	3,641,189
Timothy M. Archer	451,519	699	31,939	484,156
Douglas R. Bettinger	0	0	0	0
Richard A. Gottscho	0	2,500	95,284	1,696,660
Sarah A. O'Dowd	435,325	2,500	176,103	2,021,192
Ernest E. Maddock	380,799	2,500	1,366,839	12,404,573

(1) The entire amount of each executive's contributions in fiscal year 2013 is reported in each respective NEO's compensation in our fiscal year 2013 "*Summary Compensation Table*."
(2) Represents the amount that Lam credited to the Elective Deferred Compensation Plan, or the "EDCP," which is 3% of Executive Contribution during calendar year 2012, to a maximum benefit of $2,500. These amounts are included in the "*Summary Compensation Table*" and "*All Other Compensation Table*."
(3) The NEOs did not receive above-market or preferential earnings in fiscal year 2013.
(4) The fiscal year-end balance includes $3,032,350 for Mr. Anstice, $0 for Messrs. Archer and Bettinger, $1,601,376 for Dr. Gottscho, $1,407,264 for Ms. O'Dowd and $10,654,434 for Mr. Maddock that were previously reported in our "*Summary Compensation Table*" in prior years' proxy statements.

Potential Payments Upon Termination or Change in Control

The following is a summary of the employment agreements of our named executive officers.

Executive Employment Agreements

Martin B. Anstice. The Company and Mr. Anstice entered into an employment agreement, effective January 1, 2012, for a term of three years, subject to the right of the Company or Mr. Anstice, under certain circumstances, to terminate the agreement prior to such time.

Under the terms of the agreement, Mr. Anstice receives a base salary, which is reviewed annually and potentially adjusted. It was initially set at $660,000. Mr. Anstice is also entitled to participate in any short-term or long-term variable compensation programs offered by the Company to its executive officers generally, subject to the applicable terms and conditions of those programs and the approval of the independent members of the board, and to participate in the Company's Elective Deferred Compensation Plan. Mr. Anstice receives other benefits, such as health insurance, vacation, and benefits under other plans and programs generally applicable to executive officers of the Company.

If an Involuntary Termination (as defined in Mr. Anstice's agreement) of Mr. Anstice's employment occurs, other than in connection with a change in control (as defined in Mr. Anstice's agreement), Mr. Anstice will be entitled to: (1) a lump-sum cash payment equal to 18 months of his then-current base salary, plus an amount equal to the average of the last five annual payments made to Mr. Anstice under the short term variable compensation or any predecessor or successor programs (the "Short Term Program," and such average, the "Five Year Average Amount"), plus an amount equal to the pro-rata amount he would have earned under the Short Term Program for the calendar year in which his employment is terminated had his employment continued until the end of such calendar year, such pro-rata portion to be calculated based on the performance results achieved under the Short Term program and the number of full months elapsed prior to the termination date; (2) payment of any amounts accrued as of the date of termination under any

long-term, cash-based variable-compensation programs of the Company (the "Long Term Cash Programs"); (3) certain medical benefits; and (4) vesting, as of the date of termination, of a pro rata portion (based on time of service) of the unvested stock option or RSU awards granted to Mr. Anstice at least 12 months prior to the termination date.

If a Change in Control of the Company (as defined in Mr. Anstice's agreement) occurs during the period of Mr. Anstice's employment, and if there is an Involuntary Termination of Mr. Anstice's employment either in contemplation of or within the 12 months following the Change in Control, Mr. Anstice will be entitled to: a lump-sum cash payment equal to 18 months of Mr. Anstice's then-current base salary, plus an amount equal to the Five Year Average Amount, plus an additional amount equal to the amount he would have earned under the Short Term Program for the calendar year in which his employment is terminated multiplied by the number of full months worked in that calendar year divided by twelve; certain medical benefits; vesting, as of the date of termination, of the unvested stock option or RSU awards granted to Mr. Anstice prior to the Change in Control; and payment of any amounts accrued as of the Change in Control under the Long Term Cash Programs, plus an amount equal to the remaining target amount under the Long Term Cash Programs.

If Mr. Anstice's employment is terminated due to disability or in the event of his death, Mr. Anstice (or his estate) will be entitled to: (1) the pro rata amount he would have earned under the Short Term Program for the calendar year in which his employment is terminated had his employment continued until the end of such calendar year, such pro rata portion to be calculated based on the performance results achieved under the Short Term Program and the number of full months elapsed prior to the termination date; (2) payment of any amounts accrued as of the date of termination under the Long Term Cash Programs; (3) certain medical benefits; and (4) vesting, as of the date of termination, of at least 50% of the unvested stock option or RSU awards granted to Mr. Anstice prior to the date of termination (or a pro rata amount, based on period of service, if greater than 50%).

If Mr. Anstice voluntarily resigns, he will be entitled to no additional benefits (except as he may be eligible for under the Executive Retiree Medical Plan), stock options and RSUs will cease to vest on the termination date, and stock options will be cancelled unless they are exercised within ninety days after the termination date. RSUs will be cancelled on the termination date.

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

Timothy M. Archer. The Company and Mr. Archer entered into an employment agreement, effective June 4, 2012, for a term of three years, subject to the right of the Company or Mr. Archer, under certain circumstances, to terminate the agreement prior to such time. The terms of Mr. Archer's agreement are substantively similar to those of Mr. Anstice's agreement, with the following material differences: (i) Mr. Archer's initial base salary was set at $550,000, (ii) he was entitled to continue to participate in the Novellus annual incentive plan for the first half of calendar year 2012, (iii) he was entitled to participate in the Company's annual incentive program for the second half of calendar year 2012, and (iv) his agreement includes a retention bonus of $1,000,000 payable in cash, which vests on December 31, 2013, subject to continued employment and relocation to the San Francisco Bay Area.

The severance terms of Mr. Archer's agreement are generally similar to those of Mr. Anstice's agreement, provided that (1) Mr. Archer will receive 12-months base salary instead of 18 months in the event of his Involuntary Termination; and (2) instead of a payment of the Five Year Average Amount, he will receive a payment of 50% of the Five Year Average Amount. The Change in Control terms of Mr. Archer's agreement are generally similar to those of Mr. Anstice's agreement, provided that Mr. Archer will receive 12-months base salary instead of 18 months in the event of his Involuntary Termination.

Douglas R. Bettinger. The Company and Mr. Bettinger entered into an employment agreement with a term commencing on March 11, 2013 and ending on July 17, 2015, subject to the right of the Company or Mr. Bettinger, under certain circumstances, to terminate the agreement prior to July 17, 2015. The terms of Mr. Bettinger's agreement are substantively similar to those of Mr. Archer's agreement, with the following material differences: Mr. Bettinger's initial base salary was set at $485,000 and his agreement includes a special bonus grant of RSUs with a dollar value (as of such date) equal to $2,000,000 that vest in equal tranches subject to continued employment on a quarterly basis over the year following the effective date of the agreement.

Continues on next page ▶

In the event that Mr. Bettinger's employment terminates due to a "voluntary resignation" (as defined in his agreement) prior to March 11, 2015, he will be required to repay to the Company (in cash or in vested RSU shares) a pro rata portion of the shares granted as part of the special bonus. In the event that Mr. Bettinger's employment terminates within the first year of the employment period for any reason other than a voluntary resignation or a termination for "cause" (as defined in Mr. Bettinger's agreement), the unvested portion of all RSUs shall accelerate their vesting as of the termination date.

The severance terms of Mr. Bettinger's agreement are generally similar to those of Mr. Archer's agreement, provided that in computing the Five Year Average Amount any partial year short-term plan payments in any year shall be annualized, and if employed for less than five years, then computed based on such fewer number of years. The Change in Control terms of Mr. Bettinger's agreement are generally similar to those of Mr. Archer's agreement.

Richard A. Gottscho. The Company and Dr. Gottscho entered into an employment agreement, effective July 18, 2012, for a term of three years, subject to the right of the Company or Dr. Gottscho, under certain circumstances, to terminate the agreement prior to such time. The terms of Dr. Gottscho's agreement are substantively similar to those of Mr. Archer's employment agreement with the following material difference: under Dr. Gottscho's agreement, his initial base salary was set at $438,000. The severance and Change in Control terms of Dr. Gottscho's agreement are also generally similar to those of Mr. Archer's agreement.

Ernest E. Maddock. The Company and Mr. Maddock entered into an employment agreement effective July 18, 2012 for a term of three years, subject to the right of the Company or Mr. Maddock, under certain circumstances, to terminate the agreement prior to such time. This employment agreement replaced the previous employment agreement between the Company and Mr. Maddock effective July 1, 2009, which expired by its terms on June 30, 2012. Mr. Maddock's new employment agreement had the same terms as the prior agreement. The terms of Mr. Maddock's most recent agreement were substantively similar to those of Mr. Archer's employment agreement with the following material difference: under Mr. Maddock's agreement, his initial base salary was set at $485,000. The severance and Change in Controls terms of Mr. Maddock's agreement are also generally similar to those of Mr. Archer's agreement.

Other Executive Agreements

The Company entered into a change in control agreement with Ms. O'Dowd, effective July 18, 2012, for a term of three years, subject to the right of the Company or Ms. O'Dowd, under certain circumstances, to terminate the agreement prior to such time. The agreement provides that if a change in control (as defined as in Ms. O'Dowd's agreement) of the Company occurs during the period of her employment under the change in control agreement, and there is an Involuntary Termination (as defined as in her agreement) of her employment, Ms. O'Dowd will be entitled to payments and benefits substantively similar to those contained in the change in control provisions of Mr. Archer's agreement.

The change in control agreements contain confidentiality, non-competition, and non-solicitation terms that are substantively similar to those of Mr. Anstice's, Mr. Archer's, Mr. Bettinger's and Dr. Gottscho's agreements, and require Ms. O'Dowd to execute a release in favor of the Company to receive the payments described in the previous paragraph.

Equity Plans

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

Potential Payments to Named Executive Officers Upon Termination or Change in Control

The tables below summarize the potential payments to our NEOs, assuming a change in control of the Company as of the end of fiscal year 2013. These amounts are calculated assuming that the employment termination or change in control occurs on the last day of fiscal year 2013, June 30, 2013, except for Mr. Maddock, whose employment terminated on April 19, 2013. The closing price per share of our common stock on June 28, 2013, which was the last trading day of fiscal year 2013, was $44.34. The short-term incentive plan pro-rata amounts are calculated by multiplying the applicable pro-rata percentage by the target. Actual performance will not be known until the end of calendar year 2013. Mr. Maddock's amounts are based on his actual termination date and only include the payments applicable to that triggering event. The closing price per share of our common stock on April 19, 2013 was $41.63.

Potential Payments to Mr. Anstice Upon Termination or Change in Control as of June 30, 2013

		Involuntary Termination			
Executive Benefits and Payments Upon Termination	Voluntary Termination ($)	Disability or Death ($)	For Cause ($)	Not for Cause ($)	Change in Control ($)
Compensation					
Severance	—	—	—	1,162,500	1,162,500
Short-term Incentive (5-year average)	—	—	—	468,873	468,873
Short-term Incentive (pro rata 2013)	—	581,250	—	581,250	581,250
Long-term Incentives:					
2012-2013 LTIP-Cash	—	740,974	—	740,974	1,178,474
2013-2014 LTIP-Cash	—	680,671	—	680,671	2,555,671
Stock Options (Unvested and Accelerated)	—	76,125	—	—	152,249
Restricted Stock Units (Unvested and Accelerated)	—	1,842,859	—	1,192,480	3,532,834
Benefits and Perquisites					
Health Benefit Continuation/COBRA Benefit	—	23,459	—	23,459	23,459
Total	—	**3,945,338**	—	**4,850,207**	**9,655,310**

Potential Payments to Mr. Archer Upon Termination or Change in Control as of June 30, 2013

		Involuntary Termination			
Executive Benefits and Payments Upon Termination	Voluntary Termination ($)	Disability or Death ($)	For Cause ($)	Not for Cause ($)	Change in Control ($)
Compensation					
Severance	—	—	—	575,000	575,000
Short-term Incentive (5-year average)	—	—	—	210,633	421,266
Short-term Incentive (pro rata 2013)	—	316,250	—	316,250	316,250
Long-term Incentives:					
2012-2013 LTIP-Cash	—	705,689	—	705,689	1,018,189
2013-2014 LTIP-Cash	—	408,403	—	408,403	1,533,403
Stock Options (Unvested and Accelerated)	—	45,675	—	—	91,349
Restricted Stock Units (Unvested and Accelerated)	—	1,191,859	—	—	2,383,674
Benefits and Perquisites					
Health Benefit Continuation/COBRA Benefit	—	23,459	—	23,459	23,459
Total	—	**2,691,335**	**—**	**2,239,434**	**6,362,590**

Continues on next page ▶

Potential Payments to Mr. Bettinger Upon Termination or Change in Control as of June 30, 2013					
		Involuntary Termination			
Executive Benefits and Payments Upon Termination	Voluntary Termination ($)	Disability or Death ($)	For Cause ($)	Not for Cause ($)	Change in Control ($)
Compensation					
Severance	—	—	—	485,000	485,000
Short-term Incentive (5-year average)	—	—	—	—	—
Short-term Incentive (pro rata 2013)	—	206,125	—	206,125	206,125
Long-term Incentives:					
2012-2013 LTIP-Cash	—	—	—	—	—
2013-2014 LTIP-Cash	—	272,269	—	272,269	1,022,269
Stock Options (Unvested and Accelerated)	—	34,130	—	—	68,258
Restricted Stock Units (Unvested and Accelerated)	—	784,153	—	—	2,090,986
Benefits and Perquisites					
Health Benefit Continuation/COBRA Benefit	—	23,459	—	23,459	23,459
Total	—	**1,320,136**	—	**986,853**	**3,896,097**

Potential Payments to Dr. Gottscho Upon Termination or Change in Control as of June 30, 2013					
		Involuntary Termination			
Executive Benefits and Payments Upon Termination	Voluntary Termination ($)	Disability or Death ($)	For Cause ($)	Not for Cause ($)	Change in Control ($)
Compensation					
Severance	—	—	—	460,000	460,000
Short-term Incentive (5-year average)	—	—	—	153,937	307,874
Short-term Incentive (pro rata 2013)	—	195,500	—	195,500	195,500
Long-term Incentives:					
2012-2013 LTIP-Cash	—	338,731	—	338,731	538,731
2013-2014 LTIP-Cash	—	282,479	—	282,479	778,125
Stock Options (Unvested and Accelerated)	—	31,592	—	—	63,183
Restricted Stock Units (Unvested and Accelerated)	—	815,014	—	545,116	1,357,469
Benefits and Perquisites					
Health Benefit Continuation/COBRA Benefit	443,000	443,000	—	443,000	443,000
Total	**443,000**	**2,106,316**	**—**	**2,418,763**	**4,143,882**

Potential Payments to Ms. O'Dowd Upon Termination or Change in Control as of June 30, 2013					
		Involuntary Termination			
Executive Benefits and Payments Upon Termination	Voluntary Termination ($)	Disability or Death ($)	For Cause ($)	Not for Cause ($)	Change in Control ($)
Compensation					
Severance	—	—	—	—	406,000
Short-term Incentive (5-year average)	—	—	—	—	296,543
Short-term Incentive (pro rata 2013)	—	—	—	—	195,500
Long-term Incentives:					
2012-2013 LTIP-Cash	—	—	—	—	420,883
2013-2014 LTIP-Cash	—	—	—	—	643,007
Stock Options (Unvested and Accelerated)	—	—	—	—	38,302
Restricted Stock Units (Unvested and Accelerated)	—	—	—	—	996,036
Benefits and Perquisites					
Health Benefit Continuation/COBRA Benefit	—	—	—	—	13,750
Total	**—**	**—**	**—**	**—**	**3,010,021**

Potential Payments to Mr. Maddock Upon Termination or Change in Control as of April 19, 2013					
		Involuntary Termination			
Executive Benefits and Payments Upon Termination	Voluntary Termination ($)	Disability or Death ($)	For Cause ($)	Not for Cause ($)	Change in Control ($)
Compensation					
Severance	—	—	—	500,000	—
Short-term Incentive (5-year average)	—	—	—	180,591	—
Short-term Incentive (pro rata 2013)	—	—	—	106,250	—
Long-term Incentives:					
2012-2013 LTIP-Cash	—	—	—	343,491	—
2013-2014 LTIP-Cash	—	—	—	82,433	—
Stock Options (Unvested and Accelerated)	—	—	—	—	—
Restricted Stock Units (Unvested and Accelerated)	—	—	—	447,914	—
Benefits and Perquisites					
Health Benefit Continuation/COBRA Benefit	—	—	—	871,000	—
Total	—	**—**	**—**	**2,531,679**	**—**

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of June 30, 2013, regarding securities authorized for issuance under the Company's equity compensation plans. The equity compensation plans of the Company include the 1999 Employee Stock Purchase Plan, the 2007 Stock Incentive Plan, and the 2011 Stock Incentive Plan, each as amended and as may be amended.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights[1] ($)(b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	4,346,146[2]	33.67	13,765,427[3]
Equity compensation plans not approved by security holders	3,066,573[4]	25.31	9,111,492[5]
Total	7,412,719	26.87	22,876,919

(1) Does not include RSUs.

(2) Includes 4,346,146 shares available for future issuance under Lam's 2007 Stock Incentive Plan, as amended, or the "2007 Plan." The 2007 Plan was adopted by the board in August 2006, approved by Lam's stockholders in November 2006, and amended by the board in November 2006 and May 2013. The term of the 2007 Plan is 10 years from the last date of any approval, amendment, or restatement of the Plan by Lam's stockholders. The 2007 Plan reserves for issuance up to 15,000,000 shares of Lam's common stock.

(3) Includes 4,191,220 shares available for future issuance under the 2007 Plan and 9,574,207 shares available for future issuance under the 1999 Employee Stock Purchase Plan, as amended, or the "1999 ESPP." The 1999 ESPP was adopted by the board in September 1998, approved by Lam's stockholders in November 1998, amended by stockholder approval in November 2003, and most recently amended by the board in November 2012. The term of the 1999 ESPP is 20 years from its effective date of September 30, 1998, unless otherwise terminated or extended in accordance with its terms.

(4) Includes 3,066,573 shares available for future issuance under Lam's 2011 Stock Incentive Plan, as amended, or the "2011 Plan." As part of the acquisition of Novellus, Lam assumed the Novellus Systems, Inc. 2011 Stock Incentive Plan. The 2011 Plan was approved by Novellus shareholders before the merger but has not been approved by a separate vote of Lam stockholders. The 2011 Plan was amended by the board in July 2012. The term of the 2011 Plan is 10 years from its effective date of May 10, 2011, unless otherwise terminated or extended in accordance with its terms.

(5) Includes 9,111,492 shares available for future issuance under the 2011 Plan.

Continues on next page ▶

Proposal No. 2 Advisory Vote on the Compensation of Our Named Executive Officers ("Say on Pay")

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

We believe that our compensation philosophy has allowed us to attract, retain, and motivate qualified executive officers who have contributed to our success. For more information regarding the compensation of our named executive officers, our compensation philosophy, our 2012 Say on Pay results and Company response, we encourage you to read the section of this proxy statement entitled "*Executive Compensation and Other Information — Compensation Discussion and Analysis*," the compensation tables, and the narrative following the compensation tables for a more detailed discussion of our compensation policies and practices.

We are asking for stockholder approval, on an advisory or non-binding basis, of the compensation of our named executive officers, as disclosed in accordance with SEC rules (including section 14A of the Exchange Act) in the Compensation Discussion and Analysis section, the compensation tables and any related narrative disclosure included in this proxy statement. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the policies and practices described in this proxy statement.

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

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL, ON AN ADVISORY OR NON-BINDING BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Proposal No. 3 Ratification of the Appointment of Independent Registered Public Accounting Firm For Fiscal Year 2014

Stockholders are being asked to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2014. Ernst & Young LLP has been the Company's independent registered public accounting firm (independent auditor) since fiscal year 1981.

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

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

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

Stockholder approval of Proposal No. 3 requires the affirmative vote of a majority of the shares present and cast on the matter, in person or by proxy, at the annual meeting.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2014

Audit Committee Report

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

In this context and in connection with the audited financial statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2013, the audit committee took the following actions:

- Reviewed and discussed the audited financial statements with Company management.
- Discussed with Ernst & Young LLP the matters required to be discussed by Rule AU380 of the Public Company Accounting Oversight Board, or the "PCAOB," "*Communication with Audit Committees.*"
- Reviewed the written disclosures and the letter from Ernst & Young LLP, required by Rule 3526 of the PCAOB, "*Communication with Audit Committees Concerning Independence*," and discussed with Ernst & Young LLP its independence.
- Based on the foregoing reviews and discussions, recommended to the board of directors that the audited financial statements be included in the Company's 2013 Annual Report on Form 10-K for the fiscal year ended June 30, 2013 for filing with the SEC.

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

MEMBERS OF THE AUDIT COMMITTEE

Eric K. Brandt
*Michael R. Cannon**
Catherine P. Lego (Chair)
William R. Spivey

* Mr. Cannon joined the audit committee effective May 1, 2013.

Relationship with Independent Registered Public Accounting Firm

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

Fees Billed by Ernst & Young LLP

The table below shows the fees billed by Ernst & Young LLP for audit and other services provided to the Company in fiscal years 2013 and 2012.

Services Rendered / Type of Fee	Fiscal Year 2013 ($)	Fiscal Year 2012 ($)
Audit Fees[(1)]	4,901,106	4,528,332
Audit-Related Fees[(2)]	260,000	684,815
Tax Fees	162,066	—
All Other Fees[(3)]	1,995	1,995
TOTAL	5,325,167	5,215,142

(1) Audit fees represent fees for professional services provided in connection with the audits of annual financial statements. Audit fees also include reviews of quarterly financial statements, audit services related to other statutory or regulatory filings or engagements, and 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" and include fees related to services provided to support the Company's planned disposition of the Peter Wolters industrial applications group.

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

Continues on next page ▶

The audit committee reviewed summaries of the services provided by Ernst & Young LLP and the related fees during fiscal year 2013 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 2013.

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

Certain Relationships and Related Party Transactions

No family relationships exist or existed during fiscal year 2013 among any of our directors and executive officers.

No related party transactions occurred during fiscal year 2013.

Other Matters

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

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

By Order of the Board of Directors,

Sarah A. O'Dowd
Secretary

Fremont, California
Dated: September 24, 2013

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 30, 2013

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 **(State or other jurisdiction of incorporation or organization)**	**94-2634797** **(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	**The NASDAQ Stock Market LLC (NASDAQ Global Select Market)**

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of class)

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

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

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

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

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

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

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

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

The aggregate market value of the Registrant's Common Stock, $0.001 par value, held by non-affiliates of the Registrant, as of December 23, 2012, 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 $4,776,853,218. 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 20, 2013, the Registrant had 163,149,977 outstanding shares of Common Stock.

Documents Incorporated by Reference

Parts of the Registrant's Proxy Statement for the Annual Meeting of Stockholders expected to be held on or about November 7, 2013 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

2013 ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

		Page
Part I.		
Item 1.	Business	3
Item 1A.	Risk Factors	14
Item 1B.	Unresolved Staff Comments	26
Item 2.	Properties	26
Item 3.	Legal Proceedings	26
Item 4.	Mine Safety Disclosures	26
Part II.		
Item 5.	Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	27
Item 6.	Selected Financial Data	31
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	33
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	46
Item 8.	Financial Statements and Supplementary Data	49
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	49
Item 9A.	Controls and Procedures	49
Item 9B.	Other Information	50
Part III.		
Item 10.	Directors, Executive Officers, and Corporate Governance	51
Item 11.	Executive Compensation	51
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	51
Item 13.	Certain Relationships and Related Transactions, and Director Independence	51
Item 14.	Principal Accounting Fees and Services	51
Part IV.		
Item 15.	Exhibits and Financial Statement Schedules	52
Signatures		100
Exhibit Index		104

PART I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

Item 1. *Business*

Incorporated in 1980, Lam Research Corporation ("Lam Research," "Lam," "we," or the "Company") is a Delaware corporation, headquartered in Fremont, California. We maintain a network of facilities throughout Asia, Europe, and North America in order to meet the needs of our dynamic customer base.

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

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

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

Lam Research is a global supplier of innovative wafer fabrication equipment and services to the semiconductor industry. We design, manufacture, market, refurbish, and service semiconductor processing systems that are used in the fabrication of integrated circuits ("ICs"). Our market-leading products are designed to help our customers build the smaller, faster, and more power-efficient devices that are used in a variety of electronic products, including cell phones, computers, storage devices, and networking equipment.

The Company's customer base includes leading semiconductor memory, foundry, and integrated device manufacturers ("IDMs") that make products such as DRAM, NAND memory, and logic devices. Semiconductor manufacturing, our customers' business, involves the complete fabrication of multiple die, or ICs, on a wafer. This involves the repetition of a set of core processes and can require hundreds of individual steps. On a silicon wafer, a tiny, intricate pattern is precisely replicated across the wafer surface to create identical miniature devices, where features can be 1,000 times smaller than a grain of sand. Fabricating these devices requires highly sophisticated process technologies and precision control at the atomic scale. Along with meeting technical requirements, wafer processing equipment must deliver high productivity and be cost-effective.

At Lam Research, we leverage our expertise in semiconductor device processing to develop enabling technology and productivity solutions that typically benefit our customers through lower defect rates, enhanced yields, faster processing time, and/or reduced cost. We offer a broad portfolio of complementary products that are used in several areas of the semiconductor manufacturing process flow, including plasma etch, thin film deposition, photoresist strip, and wafer cleaning. These processes, which are repeated numerous times during the wafer fabrication cycle, are required to manufacture every type of semiconductor device.

Our products are used primarily in front-end wafer processing, which involves the steps that create the active components of a device (transistor, capacitor) and their wiring (interconnect). Market demand for ever-smaller IC designs is driving the development of and migration to new fabrication strategies, such as three-dimensional ("3D") architectures and multiple patterning. We also address processes for back-end wafer-level packaging ("WLP"), which is an alternative to traditional two dimensional packaging and offers a smaller form factor, increased interconnect speed and bandwidth, and lower power consumption, among other benefits. In addition, our products are well-suited for related markets that rely on semiconductor processes and require production-proven manufacturing capability, such as micro-electromechanical systems ("MEMS").

We are the market leader in plasma etch, a highly critical process step that selectively removes materials from the wafer to create the features and patterns of a device. The Company's high-productivity thin film deposition systems form a device's sub-microscopic layers of conducting (metal) or insulating (dielectric) materials. Our market-leading photoresist strip systems remove the photoresist mask before a wafer proceeds to the next processing step. Lam's suite of single-wafer wet and plasma-based wafer cleaning products remove particles and residues from the wafer surface before or after adjacent processes.

Our Customer Support Business Group ("CSBG") provides products and services to maximize installed equipment performance and operational efficiency. We offer a broad range of services to deliver value throughout the lifecycle of our equipment, including customer service, spares, upgrades, and refurbishment of our etch, deposition, photoresist strip, and clean products. Many of the technical advances that we introduce in our newest products are also available as upgrades, which provide customers with a cost-effective strategy for extending the performance and capabilities of their existing wafer fabrication lines. CSBG also offers refurbished and newly built previous-generation (legacy) equipment for those applications that do not require the most advanced wafer processing capability.

Silfex and Peter Wolters are wholly-owned subsidiaries of Lam. Silfex is a leading provider of high-purity custom silicon components and assemblies that serve technology markets including solar, optics, and semiconductor equipment. Peter Wolters is a leader in the design and manufacture of high-precision grinding, lapping, polishing, and deburring systems used in the automotive, aerospace, medical, semiconductor manufacturing and other industries.

Products

Plasma Etch

As the semiconductor industry continues to improve device performance and shrink critical feature sizes, plasma etch faces multiple challenges. These include processing smaller features, new materials, new transistor structures, increasingly complex film stacks, and ever higher aspect ratio structures. For conductor etch, requirements include delivering atomic precision control for etching FinFET/3D gate transistors, multi–film stacks for high-k/metal gate structures, and multiple patterning structures. Dielectric etch processes must be able to maintain etch profiles on increasingly high aspect ratio ("HAR") structures such as in 3D NAND devices, etch new multi-layer photoresist materials and amorphous carbon hardmasks, and avoid damaging fragile low-k materials. In emerging 3D integrated circuits ("3D ICs"), through-silicon vias ("TSVs") are now used to provide interconnect capability for die-to-die and wafer-to-wafer stacking. Critical factors for TSV are etching a variety of materials in the same chamber (*in situ*), as well as being able to use both conventional and special techniques for deep silicon etching. For all etch processes, it is important to provide excellent profile control and across-wafer uniformity while maintaining high productivity and cost efficiency.

Conductor Etch — 2300® Kiyo® Product Family, 2300® Versys® Metal Product Family

The 2300 Kiyo product family delivers high-performance, high-productivity, low-risk solutions for conductor etch applications. Superior uniformity, uniformity control, and repeatability are enabled by a symmetrical chamber design, leading electrostatic chuck technology, and independent tuning features. The Kiyo products deliver high productivity with low defectivity on multi-film stacks, enabled by *in situ* etch capability, continuous plasma, and advanced Waferless Autoclean technology. Applications include shallow trench isolation ("STI"), high-k/metal gate, FinFET and tri-gate, and multiple patterning. The 2300 Versys Metal product family provides a flexible platform for back-end-of-line ("BEOL") metal etch processes. Symmetrical chamber design and independent tuning features provide critical dimension, profile uniformity, and uniformity control for metal hardmask applications. The products' proprietary chamber cleaning technology ensures high availability, high yield, and exceptional process repeatability for aluminum etching. Applications include metal hardmask, high-density aluminum line, and aluminum pad.

Dielectric Etch — 2300® Flex™ Product Family

The 2300 Flex product family offers differentiated technologies and application-focused capabilities for critical dielectric etch applications. Exceptional uniformity, repeatability, and tunability are enabled by a unique multi-frequency, small-volume, confined plasma design. The systems deliver high productivity with low defectivity, enabled by *in situ* multi-step etch and continuous plasma capability. Low-risk, cost-effective upgrades provide evolutionary product transitions that extend product life and maximize return on investment. Applications include low-k and ultra low-k dual damascene, HAR and self-aligned contacts, capacitor cell, and mask open.

TSV Etch — 2300® Syndion® Product Family

Based on Lam's production-proven conductor etch products, the 2300 Syndion TSV etch family provides low-risk, flexible solutions to address multiple TSV etch applications. The Syndion products provide a low cost of ownership due to high etch rates, excellent repeatability, and *in situ* etching of multiple materials in the TSV stack (silicon, dielectrics, conducting films). The systems support both conventional single-step etch and rapidly alternating process ("RAP"). High process flexibility, superior profile control, and excellent uniformity enable successful TSV implementation for a variety of CMOS 3D IC and image sensor applications.

Thin Film Deposition

In leading-edge semiconductor designs, metal deposition processes face significant scaling and integration challenges. For advanced copper interconnect structures, challenges for electrochemical deposition ("ECD")

include providing complete, void-free fill of HAR structures with low defectivity and high productivity. Electroplating of copper and other metals is also used for TSV and WLP applications, such as forming conductive bumps and redistribution layers ("RDLs"). These applications require excellent within-wafer uniformity at high plating rates, minimizing defects, and reducing costs. For tungsten chemical vapor deposition ("CVD") processes, key requirements are minimizing contact resistance to meet lower power consumption requirements and achieving void-free fill for narrow nanoscale structures. In addition, good barrier step coverage at reduced thicknesses relative to physical vapor deposition/CVD barrier films is also needed to improve contact fill and reduce resistivity.

In dielectric deposition, high-productivity, high-quality films are needed for a number of critical process steps. For example, next-generation FinFET transistor structures and BEOL self-aligned double patterning require highly conformal film deposition and atomic level control of film dimensions to ensure device performance. The numerous alternating film layers used in new 3D NAND designs require exceptional stress and defectivity control and ultra-smooth film deposition. Plasma-enhanced CVD ("PECVD") is often used for these applications, as well as for advanced WLP, where depositing high-quality films without exceeding thermal budgets is essential. For gapfill deposition, achieving defect-free fills while maintaining high throughput is essential. Preferred approaches are to use high-density plasma CVD ("HDP-CVD") either as a complete gapfill solution or as a cap over other gapfill technologies to enhance process control and mitigate integration risks. Lastly, innovative post-deposition film treatments such as ultraviolet thermal processing ("UVTP") are being used to improve low-k film integrity and increase strain in nitride layers for improved device performance.

Copper Metal Films — SABRE® Product Family

The SABRE ECD product family is the industry's productivity-leading platform for copper damascene manufacturing. Electrofill® technology provides high-throughput, void-free fill with superior defect density performance for advanced technology nodes. SABRE chemistry packages provide leading-edge fill performance for the lowest defectivity, widest process window, and highest rates of bottom-up growth to fill the most challenging HAR features. System capabilities include deposition of copper directly on various liner materials, important for next-generation metallization schemes. The number of yielding ICs per wafer has also been improved by increasing the usable die area through industry-leading process edge exclusion. Applications include copper deposition for both advanced logic and memory interconnect. We also offer the SABRE 3D system to address TSV and WLP applications, such as copper pillar, RDL, underbump metallization, bumping, and microbumps used in post-TSV processing.

Tungsten Metal Films — ALTUS® Product Family

Lam's market-leading ALTUS systems deposit highly conformal atomic layer films for advanced tungsten metallization applications. The patented Multi-Station Sequential Deposition ("MSSD") architecture enables a nucleation layer to be formed using Pulsed Nucleation Layer ("PNL") technology and bulk CVD fill to be performed *in situ*. PNL, Lam's atomic layer deposition ("ALD") technology, is used in the deposition of tungsten nitride films to achieve high step coverage with reduced thickness relative to conventional barrier films. PNL is also used to reduce thickness and alter CVD bulk fill grain growth, lowering the overall resistivity of thin tungsten films. The advanced ExtremeFill CVD tungsten technology provides extendibility to fill the most challenging structures at advanced technology nodes. Applications include tungsten plug and via fill, low-stress composite interconnects, and tungsten nitride barrier for via and contact metallization.

PECVD Dielectric Films — VECTOR® Product Family

Lam's VECTOR family of PECVD systems delivers superior thin film quality, wafer-to-wafer uniformity, productivity, and low cost of ownership. The MSSD architecture enables industry-leading performance with both sequential processing and parallel processing to provide broad process flexibility for a range of applications. VECTOR products offer specialized systems for logic and memory applications. VECTOR Express offers a

small footprint with four processing stations. VECTOR Excel is a modular tool for advanced technology nodes where pre-and-post film deposition treatments are needed. VECTOR Extreme accommodates up to 12 process stations for high-throughput memory processes. Applications include deposition of ashable hardmasks, oxides, nitrides, carbides, and anti-reflective layers.

Gapfill Dielectric Films — SPEED® Product Family

Lam's SPEED HDP-CVD products provide void-free gapfill of high-quality dielectric films with superior throughput and reliability. The unique source design provides excellent particle performance, while the ability to customize the deposition and *in situ* etching profile ensures best-of-breed across-wafer thickness and gapfill uniformity. Together, the chamber and plasma source designs allow large batch sizes between cleans and faster cleans to deliver superior throughput. Broad process flexibility is available on the same platform, without requiring major hardware changes. Target applications include STI, pre-metal dielectrics, inter-layer dielectrics, inter-metal dielectrics, and passivation layers.

Film Treatment — SOLA® Product Family

The SOLA UVTP product family is used for treatment of BEOL low-k dielectric films and front-end-of-line ("FEOL") silicon nitride strained films. The systems incorporate a proprietary treatment process that modifies the physical characteristics of a previously deposited film through exposure to ultraviolet light, gases and vapors, and heat. The Multi-Station Sequential Processing ("MSSP") architecture allows independent control of temperature, wavelength, and intensity at each station of the wafer path. This enables delivery of best-in-class film properties, within-wafer and wafer-to-wafer uniformity, and productivity.

Photoresist Strip

With the semiconductor industry's migration to ultra-shallow junctions, multiple patterning, ultra low-k dielectrics, and 3D architectures, photoresist strip processes need to manage more complex device structures. At the transistor level, small changes can affect junction resistivity, junction depth, and dopant activation, thereby affecting device performance. For interconnect structures, unwanted changes in the properties of low-k dielectrics can also impact performance. These concerns are driving the development of new photoresist strip processes for advanced technology nodes. Challenges include removing residues, minimizing oxidation and silicon loss, and providing damage-free results, while at the same time delivering high throughput and low cost of ownership.

Photoresist Strip — G400®, GxT®, G3D®

Lam's photoresist strip systems are based on our production-proven MSSP platform. The MSSP architecture provides multiple process stations, where both temperature and chemistry may be independently controlled, allowing bulk strip, high-dose implant strip ("HDIS"), and dry clean processes to be performed all on the same platform. The high-productivity G400 is targeted for bulk strip and HDIS applications, primarily in large DRAM and NAND memory fabs. Enhanced source technology combined with faster wafer heating provides high throughput for bulk strip and implant strip applications. The GxT system is designed for critical logic device manufacturing process steps that demand low silicon loss and ultra-low defectivity. The G3D system's unique combination of multi-station high-productivity, low-temperature, and directional processing capability delivers high-productivity strip and complete residue removal for advanced WLP applications.

Single-Wafer Clean

Wafer cleaning is a critical function that must be repeated many times during the semiconductor manufacturing process, from device fabrication through packaging. As device geometries shrink and new materials are introduced, the number of cleaning steps continues to grow. Furthermore, each step has different

selectivity and defectivity requirements that add to manufacturing complexity. For next-generation devices, fragile structures need to be cleaned without causing damage. In addition, cleaning steps that target the bevel region can help eliminate the wafer edge as a source of yield-limiting defects as well as increase the number of good die at the wafer's edge to improve yield.

Wet Clean — DV-Prime®, Da Vinci®, SP Series

Lam's single-wafer spin technology pioneered the industry transition from batch to single-wafer wet processing. These production-proven spin wet clean systems provide the productivity and flexibility needed for both high-volume manufacturing and leading-edge development across multiple technology nodes and for all device types. The products deliver excellent process uniformity across the wafer, wafer-to-wafer, and lot-to-lot. Proprietary technologies enhance damage-free particle removal and dry wafers so that they are free of pattern collapse and watermarks. Offering the latest in dilute chemistry and solvent systems, the products meet defectivity and material integrity requirements. Applications include particle, polymer, and residue removal; photoresist removal; and wafer backside/bevel cleaning. Our wet clean systems are also used for multiple wet etch and clean applications for WLP, including silicon substrate thinning, wafer stress relief, and backside/bevel clean.

Plasma Bevel Clean — 2300® Coronus®

The 2300 Coronus plasma-based bevel clean system enhances die yield by removing residues and unwanted films from the wafer's edge that can impact the device area. 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. High system uptime and throughput, excellent process repeatability, and efficient *in situ* removal of multi-material film stacks and residues ensure high productivity for increased wafer output. Applications include post-STI, gate, middle-of-line, and BEOL etch; pre- and post-deposition; and metal film removal to prevent arcing during plasma etch or deposition steps. It is also the industry's only bevel clean product that removes amorphous-carbon films and carbon-rich residues.

Legacy Products

For applications that do not require the most advanced wafer processing capability, semiconductor manufacturers can benefit from the proven performance of previous-generation products to increase their production capacity at a reduced economic investment. Purchasing through an original equipment manufacturer ("OEM") like Lam Research minimizes the risks of unexpected costs and unpredictable time to production that are typically associated with used systems purchases. To meet semiconductor manufacturers' needs for high-performance, maximum-predictability, and low-risk equipment, Lam provides refurbished and newly built legacy products. Our products also provide production-worthy, cost-effective solutions for the MEMS and light emitting diode ("LED") markets.

Products Table

Market	Process/Application	Products
Front-End Wafer Processing		
Plasma Etch	Conductor Etch Dielectric Etch TSV Etch	2300® Kiyo® product family 2300® Flex™ product family 2300® Syndion® product family
Thin Film Deposition	Copper Metal Films Tungsten Metal Films PECVD Dielectric Films Gapfill Dielectric Films Film Treatment (UVTP)	SABRE® product family ALTUS® product family VECTOR® product family SPEED® product family SOLA® product family
Photoresist Strip	Photoresist Strip	G400®, GxT®
Single-Wafer Clean	Spin Wet Clean Plasma Bevel Clean	DV-Prime®, Da Vinci®, SP Series 2300® Coronus®
Back-End Wafer-Level Packaging and Through Silicon Via		
Plasma Etch	TSV Etch	2300® Syndion® product family
Thin Film Deposition	Metal Films	SABRE® 3D
Photoresist Strip	Photoresist Strip	G3D®
Single-Wafer Clean	Spin Wet Clean	SP Series
Related Manufacturing Markets		
MEMS	Deep Silicon Etch, PECVD Dielectric Films, Spin Wet Clean, Dry Strip/Descum	
LED	Plasma Etch, PECVD Dielectrics, Copper Metal Films, Dry Strip/Descum	

Fiscal Periods Presented

All references to fiscal years apply to our fiscal years, which ended June 30, 2013, June 24, 2012, and June 26, 2011. In all sections of this document, the fiscal 2012 information presented reflects 20 days of Novellus related activity. There is no Novellus related activity reflected in periods prior to fiscal year 2012.

Research and Development

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

Our R&D expenses during fiscal years 2013, 2012, and 2011 were $683.7 million, $444.6 million, and $373.3 million, respectively. The majority of R&D spending over the past three years has been targeted at etch,

deposition, single-wafer clean, and other semiconductor manufacturing products. We believe current challenges for customers at various points in the semiconductor manufacturing process present opportunities for us.

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

Marketing, Sales, and Service

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

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

International Sales

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

	Year Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
		(in thousands)	
Revenue:			
Taiwan	$1,026,548	$ 467,922	$ 766,910
North America	734,324	458,531	393,004
Korea	603,821	893,549	756,660
Asia Pacific	573,696	292,963	492,600
Japan	368,095	308,189	405,371
Europe	292,432	244,038	423,148
Total revenue	$3,598,916	$2,665,192	$3,237,693

Long-Lived Assets

Refer to Note 18 of our Consolidated Financial Statements, included in Item 15 of this report, for information concerning 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 opportunities. In fiscal year 2013, three customers, Samsung Electronics Company, Ltd., SK Hynix Inc., and Taiwan Semiconductor Manufacturing Company, Ltd., combined represented approximately 46% of total revenues and each customer individually represented greater than 10% of total revenues. In fiscal year 2012, the same three customers combined represented approximately 50% of total revenues and each customer individually represented greater than 10% of total revenues. In fiscal year 2011, Samsung Electronics Company, Ltd. represented approximately 24% of total revenues.

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

Backlog

In general, we schedule production of our systems based upon our customers' delivery requirements. In order for a system to be included in our backlog, the following conditions must be met: 1) we have received a written customer request that has been accepted, 2) we have an agreement on prices and product specifications, and 3) there is a scheduled shipment within the next 12 months. In order for spares and services to be included in our backlog, the following conditions must be met: 1) we have received a written customer request that has been accepted and (2) delivery of products or provision of services is anticipated within the next 12 months. Where specific spare parts and customer service purchase contracts do not contain discrete delivery dates, we use volume estimates at the contract price and over the contract period, not to exceed 12 months, in calculating backlog amounts. Our policy is to revise our backlog for order cancellations and to make adjustments to reflect, among other things, changes in spares volume estimates and customer delivery date changes. At June 30, 2013 and June 24, 2012, our backlog was approximately $764 million and $870 million, respectively. Generally, orders for our products and services are subject to cancellation by our customers with limited penalties. Because some orders are received and shipped in the same quarter and because customers may change delivery dates and cancel orders, our backlog at any particular date is not necessarily indicative of business volumes or actual revenue levels for succeeding periods.

Manufacturing

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

We have agreements with third parties to outsource certain aspects of our manufacturing, production warehousing, and logistics functions. We believe that these outsourcing contracts provide us more flexibility to scale our operations up or down in a timely and cost effective manner, enabling us to respond to the cyclical nature of our business. We believe that we have selected reputable providers and have secured their performance on terms documented in written contracts. However, it is possible that one or more of these providers could fail to perform as we expect, and such failure could have an adverse impact on our business and have a negative effect on our operating results and financial condition. Overall, we believe we have effective mechanisms to manage risks associated with our outsourcing relationships. Refer to Note 14 of our Consolidated Financial Statements, included in Item 15 of this report, for further information concerning our outsourcing commitments.

Certain components and sub-assemblies that we include in our products may only be obtained from a single supplier. We believe that, in many cases, we could obtain and qualify alternative sources to supply these

products. Nevertheless, any prolonged inability to obtain these components could have an adverse effect on our operating results and could unfavorably impact our customer relationships.

Environmental Matters

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

Employees

As of August 20, 2013, we had approximately 6,600 regular employees. Although we have employment-related agreements with a number of key employees, these agreements do not guarantee continued service. Each of our employees is required to comply with our policies relating to maintaining the confidentiality of our non-public information.

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

Competition

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

We face significant competition with all of our products and services. Our primary competitors in the etch market are Tokyo Electron, Ltd. and Applied Materials, Inc. Our primary competitors in the single-wafer wet clean market are Dainippon Screen Manufacturing Co. Ltd. and Tokyo Electron, Ltd. In the tungsten CVD, PECVD, HDP-CVD, ECD and PVD markets, our primary competitor is Applied Materials, Inc. In the PECVD market, we also compete against ASM International. Our primary competitors in the surface preparation product arena are Mattson Technologies, Inc. and PSK, Inc.

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

Patents and Licenses

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

EXECUTIVE OFFICERS OF THE COMPANY

As of August 27, 2013, the executive officers of Lam Research were as follows:

Name	Age	Title
Martin B. Anstice	46	President and Chief Executive Officer
Timothy M. Archer	46	Executive Vice President and Chief Operating Officer
Douglas R. Bettinger	46	Executive Vice President, Chief Financial Officer and Chief Accounting Officer
Richard A. Gottscho	61	Executive Vice President, Global Products Group
Sarah A. O'Dowd	63	Senior Vice President, Chief Legal Officer

Martin B. Anstice is President and Chief Executive Officer of Lam Research. Mr. Anstice joined the Company in April 2001 as Senior Director, Operations Controller. He was promoted to Chief Financial Officer in June 2004, appointed Executive Vice President and Chief Operating Officer in September 2008, and promoted to President in December 2010. In January 2012, Mr. Anstice was appointed Chief Executive Officer and in February 2012, appointed to the Lam Research Corporation board of directors. He 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. After Tyco International, Ltd. acquired Raychem in 1999, Mr. Anstice assumed responsibility for supporting mergers and acquisitions at Tyco Electronics Corporation. Mr. Anstice is an associate member of the Chartered Institute of Management Accountants in the United Kingdom.

Timothy M. Archer joined Lam Research in June 2012 as the Company’s Executive Vice President, Chief Operating Officer. Prior to Lam Research, Mr. Archer spent 18 years at Novellus Systems in various technology development and business leadership roles, including most recently as Chief Operating Officer from January 2011 to June 2012, Executive Vice President Worldwide Sales, Marketing, and Customer Satisfaction from September 2009 to January 2011, and Executive Vice President of the PECVD and Electrofill Business Units from November 2008 to September 2009. Mr. Archer’s tenure at Novellus Systems also included assignments as

Senior Director of Technology for Novellus Systems Japan from 1999 to 2001 and Senior Director of Technology for the Electrofill Business Unit from April 2001 to April 2002. Mr. Archer started his career in 1989 at Tektronix where he was responsible for process development for high-speed bipolar integrated circuits. Mr. Archer completed the Program for Management Development at Harvard Graduate School of Business and holds a Bachelor of Science degree in Applied Physics from the California Institute of Technology.

Douglas R. Bettinger is Executive Vice President, Chief Financial Officer of Lam Research. Prior to joining the company, Mr. Bettinger served as Senior Vice President and Chief Financial Officer of Avago Technologies from August 2008 to February 2013. From 2007 to 2008, he served as Vice President of Finance and Corporate Controller at Xilinx, Inc., and from 2004 to 2007, he was Chief Financial Cfficer at 24/7 Customer, a privately held company. Mr. Bettinger worked at Intel Corporation from 1993 to 2004, where he held several senior-level finance and manufacturing operations positions, including Corporate Planning and Reporting Controller and Malaysia Site Operations Controller. He earned a master's degree in business administration in finance from the University of Michigan and has a bachelor of science degree in economics from the University of Wisconsin in Madison.

Richard A. Gottscho is the Company's Executive Vice President, Global Products Group, a position he has held since August 2010. Prior to that time, he had been Group Vice President and General Manager, Etch Businesses since March 2007. Dr. Gottscho 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 Plasma Science and Technology Division Prize, the Gaseous Electronics Conference Foundation Lecturer, the Dry Process Symposium Nishizawa Award, and the Tegal Thinker Award. He is a fellow of the American Physical and American Vacuum Societies and 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.

Sarah A. O'Dowd joined Lam Research in September 2008 as Group Vice President and Chief Legal Officer, responsible for general legal matters, intellectual property and ethics & compliance. In addition to her Legal function, in April 2009 she was appointed Vice President of Human Resources and served in this dual capacity from April 2009 through May 2012. Prior to joining Lam Research, Ms. O'Dowd was Vice President and General Counsel for FibroGen, Inc. from February 2007 until September 2008. Until February 2007, Ms. O'Dowd was a shareholder in the law firm of Heller Ehrman LLP for more than twenty years, practicing in the areas of corporate securities, governance and mergers and acquisitions for a variety of clients, principally publicly traded high technology companies. She served in a variety of leadership and management roles at Heller Ehrman, including Managing Partner of the Silicon Valley and San Diego offices, member of the firm's Policy Committee and, as head of the firm's business practice groups, a member of the firm's Executive Committee. Ms. O'Dowd earned her J.D. and M.A. in communications from Stanford University and her bachelor of arts degree in mathematics from Immaculata College.

Item 1A. *Risk Factors*

In addition to the other information in this 2013 Form 10-K, the following risk factors should be carefully considered in evaluating the Company and its business because such factors may significantly impact our business, operating results, and financial condition. As a result of these risk factors, as well as other risks discussed in our other SEC filings, our actual results could differ materially from those projected in any forward-looking statements. No priority or significance is intended, nor should be attached, to the order in which the risk factors appear.

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

The business cycle in the semiconductor equipment industry has historically been characterized by frequent periods of rapid change in demand that challenge our management to adjust spending and other resources allocated to operating activities. During periods of rapid growth or decline in demand for our products and services, we face significant challenges in maintaining adequate financial and business controls, management processes, information systems, procedures for training and managing our work force, and in appropriately sizing our supply chain infrastructure, work force, and other components of our business on a timely basis. If we do not adequately meet these challenges during periods of demand decline, our gross margins and earnings may be negatively impacted.

We continuously reassess our strategic resource allocation choices in response to the changing business environment. If we do not adequately adapt to the changing business environment, we may lack the infrastructure and resources to scale up our business to meet customer expectations and compete successfully during a period of growth, or we may expand our capacity too rapidly and/or beyond what is appropriate for the actual demand environment.

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

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

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

- a decline in demand for our products or services;
- an increase in reserves on accounts receivable due to our customers' inability to pay us;
- an increase in reserves on inventory balances due to excess or obsolete inventory as a result of our inability to sell such inventory;
- valuation allowances on deferred tax assets;
- restructuring charges;
- asset impairments including the potential impairment of goodwill and other intangible assets;
- a decline in the value of our investments;
- exposure to claims from our suppliers for payment on inventory that is ordered in anticipation of customer purchases that do not come to fruition;
- a decline in the value of certain facilities we lease to less than our residual value guarantee with the lessor; and
- challenges maintaining reliable and uninterrupted sources of supply.

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

Our Long-term Success, Results of Operations and the Value of Our Common Stock Depend on Our Ability to Successfully Combine the Novellus Business With Our Pre-existing Business, Which May Be More Difficult, Costly or Time-consuming Than Expected

On June 4, 2012, we acquired Novellus, and we are currently combining Novellus' business with our pre-existing business. Our future success, results of operations and the value of our common stock depend, in part, on our ability to realize the anticipated benefits of the acquisition. To realize these anticipated benefits, we must successfully combine our businesses in an efficient and effective manner and communicate the impact that a business combination will have on our financial statements. If we are not able to achieve and clearly communicate these objectives within the anticipated time frame, or at all, the anticipated benefits and cost savings of the acquisition may not be realized fully, or at all, or may take longer than expected to realize, and our results of operations and the value of our common stock may be adversely affected.

Specific issues that must be addressed in integrating the operations of Novellus into our pre-existing operations in order to realize the anticipated benefits of the acquisition include, among other things:

- integrating and optimizing the utilization of the properties, equipment, suppliers, distribution channels, manufacturing, service, marketing, promotion and sales activities and information technologies of the combined company;
- consolidating corporate and administrative infrastructures of the combined company;
- coordinating geographically dispersed organizations of the combined company;
- retaining and growing business at existing customers and attracting new customers to the combined company;
- managing our contractual and business relationships with common suppliers and customers to reduce inconsistent or inefficient effects;
- retaining key employees and utilizing their technical knowledge and business expertise;
- communicating the inherently complex factors that a business combination will have on our financial position and results of operations; and
- conforming standards, controls, procedures, policies, business cultures and compensation structures throughout the combined company.

In addition, integration efforts will also divert management attention and resources, the actual integration may result in additional and unforeseen expenses, and the anticipated benefits of the integration plan may not be realized. Actual synergies, if achieved at all, may be lower than what we expect and may take longer to achieve than anticipated. If we are not able to adequately address these challenges, we may be unable to successfully integrate the combined company's operations or to realize the anticipated benefits of the acquisition.

Our Quarterly Revenues and Operating Results Are Unpredictable

Our revenues and operating results may fluctuate significantly from quarter to quarter due to a number of factors, not all of which are in our control. We manage our expense levels based in part on our expectations of future revenues. Because our operating expenses are based in part on anticipated future revenues, and a certain

amount of those expenses are relatively fixed, a change in the timing of recognition of revenue and/or the level of gross profit from a small number of transactions can unfavorably affect operating results in a particular quarter. Factors that may cause our financial results to fluctuate unpredictably include, but are not limited to:

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

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

As a result of the sale of our 2016 and 2018 convertible notes and the assumption of the 2041 convertible notes in connection with the Novellus acquisition (collectively the "Notes"), we have a greater amount of debt than we have maintained in the past. Our maintenance of higher levels of indebtedness could have adverse consequences including:

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

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

on acceptable terms. If we fail to make a payment on our debt, we could be in default on such debt, and this default could cause us to be in default on our other outstanding indebtedness.

Conversion of our Notes may cause dilution to our shareholders and to our earnings per share. Upon conversion of any Notes, we will deliver cash in the amount of the principal amount of the Notes and, with respect to any excess conversion value greater than the principal amount of the Notes, shares of our common stock, which would result in dilution to our shareholders. This dilution may be mitigated to some extent by the hedging transactions we entered into in connection with the sale of the 2016 and 2018 Notes. Prior to the maturity of the Notes, if the price of our common stock exceeds the conversion price, U.S. GAAP requires that we report an increase in diluted share count, which would result in lower reported earnings per share. The price of our common stock could also be affected by sales of our common stock by investors who view the Notes as a more attractive means of equity participation in our company and by hedging activity that may develop involving our common stock by holders of the Notes.

We Have a Limited Number of Key Customers

Sales to a limited number of large customers constitute a significant portion of our overall revenue, shipments and profitability. As a result, the actions of even one customer may subject us to variability in those areas that are difficult to predict. In addition, large customers may be able to negotiate requirements that result in decreased pricing, increased costs and/or lower margins for us, such as regional manufacturing expectations, compliance to specific environmental, social and corporate governance standards, and limitations on our ability to share jointly developed technology with others. Similarly, significant portions of our credit risk may, at any given time, be concentrated among a limited number of customers, so that the failure of even one of these key customers to pay its obligations to us could significantly impact our financial results. As of June 30, 2013, two customers accounted for approximately 22% and 14% of accounts receivable. As of June 24, 2012, three customers accounted for approximately 24%, 17%, and 11% of accounts receivable.

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

Rapid technological changes in semiconductor manufacturing processes subject us to increased pressure to develop technological advances that enable those processes. We believe that our future success depends in part upon our ability to develop and offer new products with improved capabilities and to continue to enhance our existing products. If new products have reliability, quality, or design problems, our performance may be impacted by reduced orders, higher manufacturing costs, delays in acceptance of and payment for new products, and additional service and warranty expenses. We may be unable to develop and manufacture new products successfully, or new products that we introduce may fail in the marketplace. The expected industry transition to a 450mm platform represents an emerging challenge for our business, and our failure to address that transition in a timely manner with productive and cost-effective products could adversely affect our business in a material way. Our failure to commercialize new products in a timely manner could result in loss of market share, unanticipated costs, and inventory obsolescence, which would adversely affect our financial results.

In order to develop new products and processes, we expect to continue to make significant investments in R&D and to pursue joint development relationships with customers, suppliers or other members of the industry. We must manage product transitions and joint development relationships successfully, as the introduction of new products could adversely affect our sales of existing products and certain jointly developed technologies may be subject to restrictions on our ability to share that technology with other customers, which could limit our market for products incorporating those technologies. Future technologies, processes or product developments may render our current product offerings obsolete, leaving us with non-competitive products, or obsolete inventory, or both. Moreover, customers may adopt new technologies or processes to address the complex challenges associated with next generation devices. This shift may result in a reduction in the size of our addressable

markets or could increase the relative size of markets in which we either do not compete or have relatively low market share.

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. System sales constitute a significant portion of our total revenue. Our systems are priced up to approximately $9 million per unit, and our revenues in any given quarter are dependent upon the acceptance of a limited number of systems. As a result, the inability to recognize revenue on even a few systems can cause a significantly adverse impact on our revenues for a given quarter, and, in the longer term, the continued market acceptance of these products is critical to our future success. Our business, operating results, financial condition, and cash flows could therefore be adversely affected by:

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

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

Strategic Alliances and Potential Customer Consolidation May Have Negative Effects on Our Business

Increasingly, semiconductor manufacturing companies are entering into strategic alliances or consolidating with one another to expedite the development of processes and other manufacturing technologies and/or achieve economies of scale. The outcomes of such an alliance can be the definition of a particular tool set for a certain function and/or the standardization of a series of process steps that use a specific set of manufacturing equipment; while the outcomes of consolidation can lead to an overall reduction in the market for semiconductor manufacturing equipment as customers' operations achieve economies of scale and/or increased purchasing power based on their higher volumes. While in certain instances this could work to our advantage, if our equipment becomes the basis for the function or process as the tool of choice for the larger consolidated customer or alliance, it could also work to our disadvantage if a competitor's tools or equipment become the standard equipment for such functions or processes.

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. Even if they select Lam equipment, the institutions and the customers that follow their lead could impose conditions on acceptance of that equipment, such as adherence to standards and requirements or limitations on how we license our proprietary rights, that increase our costs or require us to take on greater risk. These actions could adversely impact our market share and financial results.

We Depend On a Limited Number of Key Suppliers and Outsource Providers, and We Run the Risk That They Might Not Perform as We Expect

Outsource providers and component suppliers have played and will continue to play a key role in our manufacturing operations and in many of our transactional and administrative functions, such as information technology, facilities management, and certain elements of our finance organization. These providers and suppliers might suffer financial setbacks, be acquired by third parties, become subject to exclusivity arrangements that preclude further business with us or suffer *force majeure* events that could interrupt or impair their continued ability to perform as we expect.

Although we attempt to select reputable providers and suppliers, and we attempt to secure their performance on terms documented in written contracts, it is possible that one or more of these providers or suppliers could fail to perform as we expect, and such failure could have an adverse impact on our business. In some cases, the requirements of our business mandate that we obtain certain components and sub-assemblies included in our products from a single supplier or a limited group of suppliers. Where practical, we endeavor to establish alternative sources to mitigate the risk that the failure of any single provider or supplier will adversely affect our business, but this is not feasible in all circumstances. There is therefore a risk that a prolonged inability to obtain certain components or secure key services could impair our ability to manage operations, ship products and generate revenues, which could adversely affect our operating results and damage our customer relationships.

We Face Risks Related to the Disruption of Our Primary Manufacturing Facilities

Our manufacturing facilities are concentrated in just a few locations. These locations are subject to disruption for a variety of reasons such as natural disasters, terrorist attacks, disruptions of our information technology resources and utility interruptions. Such disruptions may cause delays in shipping our products which could result in the loss of business or customer trust, adversely affecting our business and operating results.

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

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

We Face a Challenging and Complex Competitive Environment

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

We believe that to remain competitive we must devote significant financial resources to offer a broad range of products, to maintain customer service and support centers worldwide, and to invest in product and process R&D. Certain of our competitors, especially those that are created and financially backed by foreign governments, have substantially greater financial resources and more extensive engineering, manufacturing, marketing, and customer service and support resources than we do and therefore have the potential to increasingly dominate the semiconductor equipment industry. These competitors may deeply discount or give

away products similar to those that we sell, challenging or even exceeding our ability to make similar accommodations and threatening our ability to sell those products. We also face competition from our own customers, who in some instances have established affiliated entities that manufacture equipment similar to ours. For these reasons, we may fail to continue to compete successfully worldwide.

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

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

Non-U.S. sales accounted for approximately 80% of total revenue in fiscal year 2013, 83% of total revenue in fiscal year 2012, and 88% of total revenue in fiscal year 2011. We expect that international sales will continue to account for a substantial majority of our total revenue in future years.

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

- trade balance issues;
- global economic and political conditions, including the ongoing macroeconomic challenges associated with sovereign debt levels in certain euro-zone countries and the financial contagion to global markets;
- changes in currency controls;
- differences in the enforcement of intellectual property and contract rights in varying jurisdictions;
- our ability to respond to customer and foreign government demands for locally sourced systems, spare parts and services and develop the necessary relationships with local suppliers;
- compliance with U.S. and international laws and regulations affecting foreign operations, including U.S. and international export restrictions and foreign labor laws;
- fluctuations in interest and foreign currency exchange rates;
- our ability to repatriate cash in a tax-efficient manner;
- the need for technical support resources in different locations; and
- our ability to secure and retain qualified people in all necessary locations for the successful operation of our business.

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

We are potentially exposed to adverse as well as beneficial movements in foreign currency exchange rates. The majority of our sales and expenses are denominated in U.S. dollars. However, we are exposed to foreign currency exchange rate fluctuations primarily related to revenues denominated in Japanese yen and expenses denominated in euro. Currently, we enter into foreign currency forward contracts to minimize the short-term impact of the foreign currency exchange rate fluctuations on certain foreign currency monetary assets and liabilities, primarily third party accounts receivables, accounts payables and intercompany receivables and payables. In addition, we hedge certain anticipated foreign currency cash flows, primarily anticipated revenues denominated in Japanese yen and euro-denominated expenses. We believe these are our primary exposures to currency rate fluctuation. We expect to continue to enter into hedging transactions, for the purposes outlined, for the foreseeable future. However, these hedging transactions may not achieve their desired effect because differences between the actual timing of the underlying exposures and our forecasts of those exposures may leave us either over-or under-hedged on any given transaction. Moreover, by hedging these foreign currency denominated revenues, expenses, monetary assets and liabilities with foreign currency forward contracts, we may miss favorable currency trends that would have been advantageous to us but for the hedges. Additionally, we are exposed to short-term foreign currency exchange rate fluctuations on non-U.S. dollar-denominated monetary assets and liabilities (other than those currency exposures previously discussed) and currently we do not enter into foreign currency hedge contracts against these exposures. Therefore, we are subject to both favorable and unfavorable foreign currency exchange rate fluctuations to the extent that we transact business (including intercompany transactions) for these currencies.

The magnitude of our overseas business also affects where our cash is generated. Certain uses of cash, such as share repurchases or the repayment of our convertible notes, can usually only be made with cash balances and cash generated on-shore. Since the majority of our cash is generated outside of the United States, this may limit certain business decisions and adversely affect business outcomes.

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

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

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

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

In addition, we have recently merged our global enterprise system with the enterprise system used by Novellus Systems, Inc. prior to its acquisition by Lam. Combining these two systems was a complex process and there is possibility for error in the merger process. While we have exerted considerable efforts to ensure a fully operational system, should an error occur there could be a short term adverse effect on our ability to conduct business in an efficient manner.

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

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

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

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

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

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

In addition, any acquisition could result in changes such as potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities, the amortization of related intangible assets, and

goodwill impairment charges, any of which could materially adversely affect our business, financial condition, and results of operations and/or the price of our Common Stock.

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

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

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

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

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

Third parties may assert infringement, unfair competition, product liability, breach of contract, or other claims against us. From time to time, other parties send us notices alleging that our products infringe their patent or other intellectual property rights. In addition, law enforcement authorities may seek criminal charges relating to intellectual property or other issues. We also face risks of claims arising from commercial and other relationships. In addition, our Bylaws and other 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. From time to time, in the normal course of business, we indemnify third parties with whom we enter into contractual relationships, including customers and suppliers, with respect to certain matters. We have agreed, under certain conditions, to hold these third parties harmless against specified losses, such as those arising from a breach of representations or covenants, other third party claims that our products when used for their intended

purposes infringe the intellectual property rights of such other third parties, or other claims made against certain parties. In such cases, it is our policy either to defend the claims or to negotiate licenses or other settlements on commercially reasonable terms. However, we may be unable in the future to negotiate necessary licenses or reach agreement on other settlements on commercially reasonable terms, or at all, and any litigation resulting from these claims by other parties may materially adversely affect our business and financial results, and we may be subject to substantial damage awards and penalties. Moreover, although we have insurance to protect us from certain claims and cover certain losses to our property, such insurance may not cover us for the full amount of any losses, or at all, and may be subject to substantial exclusions and deductibles.

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

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

We May Incur Impairments to Goodwill or Long Lived Assets

We review our long-lived assets, including goodwill and other intangible assets, for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Negative industry or economic trends, including reduced market prices of our common stock, reduced estimates of future cash flows, disruptions to our business, slower growth rates, or lack of growth in our relevant business segments, could lead to impairment charges against our long-lived assets, including goodwill and other intangible assets. If, in any period, our stock price decreases to the point where our fair value, as determined by our market capitalization, is less than the book value of our assets, this could also indicate a potential impairment, and we may be required to record an impairment charge in that period, which could adversely affect our result of operations.

Our valuation methodology for assessing impairment requires management to make judgments and assumptions based on historical experience and to rely heavily on projections of future operating performance. We operate in a highly competitive environment and projections of future operating result and cash flows may vary significantly from actual results. Additionally, if our analysis indicates potential impairment to goodwill one or more of our business segments, we may be required to record additional charges to earnings in our financial statements, which could negatively affect our results of operations.

We Are Exposed to Various Risks from Our Regulatory Environment

We are subject to various risks related to (i) new, different, inconsistent or even conflicting laws, rules and regulations that may be enacted by legislative bodies and/or regulatory agencies in the countries that we operate; (ii) disagreements or disputes between national or regional regulatory agencies related to international trade; and (iii) the interpretation and application of laws, rules and regulations. As a public company with global operations,

we are subject to the laws of multiple jurisdictions and the rules and regulations of various governing bodies, including those related to financial and other disclosures, corporate governance, privacy, anti-corruption, such as the Foreign Corrupt Practices Act and other local laws prohibiting corrupt payments to governmental officials, and antitrust regulations, among others. One of these laws imposes new disclosure requirements regarding the use of certain minerals, which may have originated from the Democratic Republic of the Congo and adjoining countries in our products. This new requirement could affect the pricing, sourcing and availability of minerals used in the manufacture of components we use in our products. In addition, there will be additional costs associated with complying with the disclosure requirements, such as costs related to determining the source of any of the covered minerals used in our products. Our supply chain is complex, and we may be unable to verify the origins for all metals used in our products. Financial reform legislation and the regulations enacted under such legislation have also added costs to our business by, among other things, requiring advisory votes on executive compensation and on severance packages upon a change in control.

To maintain high standards of corporate governance and public disclosure, we intend to invest all reasonably necessary resources to comply with all evolving standards. Changes in or ambiguous interpretations of laws, regulations and standards may create uncertainty regarding compliance matters. Efforts to comply with new and changing regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management's time and attention from revenue generating activities to compliance activities. If we are found by a court or regulatory agency not to be in compliance with the laws and regulations, our business, financial condition, and results of operations could be adversely affected.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Our executive offices and principal operating and R&D facilities are located in Fremont, California, Livermore, California, San Jose, California, Tualatin, Oregon, and Villach, Austria. The Fremont and Livermore facilities are held under operating leases expiring in 2015 and the San Jose and Tualatin facilities are owned by the Company. Our Fremont and Livermore operating leases generally include options to renew or purchase the facilities. In addition, we lease or own properties for our service, technical support and sales personnel throughout the United States, Europe, Taiwan, Korea, Japan, and Asia Pacific and lease or own manufacturing facilities located in Eaton, Ohio, Rendsburg, Germany, Chandler, Arizona, and Des Plaines, Illinois. Our facilities lease obligations are subject to periodic increases. We believe that our existing facilities are well-maintained and in good operating condition.

Item 3. ***Legal Proceedings***

The Company is either a defendant or plaintiff in various actions that have arisen from time to time in the normal course of business, including intellectual property claims. The Company accrues for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Significant judgment is required in both the determination of probability and the determination as to whether a loss is reasonably estimable. These accruals are reviewed at least quarterly and adjusted to reflect the effects of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular matter. To the extent there is a reasonable possibility that the losses could exceed the amounts already accrued, the Company believes that the amount of any such additional loss would be immaterial to the Company's business, financial condition, and results of operations.

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

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

Stock Information

Our Common Stock is traded on the NASDAQ Global Select Market under the symbol LRCX. As of August 20, 2013 we had 487 stockholders of record. In fiscal years 2013 and 2012 we did not declare or pay cash dividends to our stockholders. We currently have no plans to declare or pay cash dividends. The table below sets forth the high and low prices of our common stock as reported by The NASDAQ Stock Market LLC, for the period indicated:

	2013	
	High	**Low**
First Quarter	$37.99	$31.93
Second Quarter	$38.14	$31.17
Third Quarter	$43.92	$35.32
Fourth Quarter	$49.13	$39.94

	2012	
	High	**Low**
First Quarter	$46.27	$34.92
Second Quarter	$45.48	$34.81
Third Quarter	$45.04	$36.15
Fourth Quarter	$45.29	$35.84

Repurchase of Company Shares

On December 14, 2011, the Board of Directors authorized the repurchase of up to $1.6 billion of Company common stock, which replaced the previous repurchase authorizations. The Company completed the repurchase of all amounts available under this share repurchase authorization during the year ended June 30, 2013.

On April 22, 2013, the Board of Directors authorized the repurchase of up to $250 million of Company common stock. These repurchases can be conducted on the open market or as private purchases and may include the use of derivative contracts with large financial institutions, in all cases subject to compliance with applicable law. Repurchases will be funded using the Company's on-shore cash and on-shore cash generation. This repurchase program has no termination date and may be suspended or discontinued at any time.

As part of its share repurchase program, the Company may from time-to-time enter into structured share repurchase arrangements with financial institutions using general corporate funds. Such arrangements entered into or settled during the year ended June 30, 2013 included the following:

Collared Accelerated Share Repurchases — Settled During Current Fiscal Year

During the year ended June 24, 2012, the Company entered into two share repurchase transactions under one master repurchase arrangement. Under these collared accelerated share repurchase transactions ("ASRs"), the Company made up-front cash payments of $375 million and $200 million, respectively, three days after the respective trade date in exchange for an initial delivery of 6.6 million and 3.9 million shares of its common stock, respectively. The number of shares to ultimately be repurchased by the Company is based generally on the volume-weighted average price ("VWAP") of the Company's common stock during the term of the ASR minus a pre-determined discount set at inception of the ASR, subject to collar provisions that provide a minimum and maximum number of shares that the Company could repurchase under the agreements.

The minimum and maximum thresholds for each transaction were established based on the average of the VWAP prices for the Company's common stock during an initial hedge period. The Company received incremental shares on top of the initial shares delivered such that the total number of shares received after the initial hedge period equaled 8.8 million and 4.8 million shares, equivalent to the minimum number of shares to be delivered under the terms of the ASRs, respectively. The ASRs were scheduled to end on or before September 18, 2012 and October 9, 2012, respectively. However, each ASR was subject to acceleration at the option of the counterparty at any time after June 27, 2012 and July 19, 2012, respectively. At the conclusion of the ASRs, the Company was to receive additional shares based on the VWAP of the Company's common stock during the term of the agreement minus the pre-determined fixed discount, such that the total number of shares received under the ASRs would not exceed the maximum of 10.8 million and 6.6 million shares, respectively.

The Company accounted for each ASR as two separate transactions: (a) as shares of common stock acquired in a treasury stock transaction recorded on the acquisition date and (b) as a forward contract indexed to the Company's own common stock and classified in stockholders' equity. As such, the Company accounted for the shares that it received under the ASRs as a repurchase of its common stock for the purpose of calculating earnings per common share. The Company has determined that the forward contract indexed to the Company's common stock met all of the applicable criteria for equity classification in accordance with the Derivatives and Hedging topic of the FASB ASC, and, therefore, the ASRs were not accounted for as derivative instruments. As of June 24, 2012, the aggregate repurchase price of $575.0 million was reflected as Treasury stock, at cost, in the Consolidated Balance Sheet.

The counterparty to the $375 million ASR designated July 6, 2012 as the accelerated termination date, at which time the Company settled the ASR and received an additional 1.3 million shares of common stock in addition to the minimum shares already received, which represented a weighted average share price of approximately $36.80 for the transaction period. The counterparty to the $200 million ASR designated July 25, 2012 as the accelerated termination date, at which time the Company settled the ASR and received an additional 0.7 million shares of common stock in addition to the minimum shares already received, which represented a weighted average share price of approximately $36.12 for the transaction period.

Collared Accelerated Share Repurchases — Executed During Current Fiscal Year

During the year ended June 30, 2013, the Company entered into a share repurchase transaction under the existing master repurchase arrangement. Under this ASR, the Company made an up-front cash payment of $86.4 million, in exchange for an initial delivery of 1.5 million shares of its common stock and a subsequent delivery of 0.4 million shares following the initial hedge period

As with the prior ASRs, the minimum and maximum thresholds for the transaction were established based on the average of the VWAP prices for the Company's common stock during an initial hedge period. The ASR was scheduled to end at any time after March 21, 2013 and on or before May 21, 2013. At the conclusion of the ASRs, the Company was to receive additional shares based on the VWAP of the Company's common stock during the term of the agreement minus the pre-determined fixed discount, such that the total number of shares received under this ASR would not exceed the maximum of 2.2 million shares.

The counterparty designated May 21, 2013 as the termination date, at which time the Company settled the ASR and received an additional 0.1 million shares of common stock in addition to the minimum shares already received, which represented a weighted average share price of approximately $42.71 for the transaction period.

As of June 30, 2013, the aggregate repurchase price of $86.4 million is reflected as Treasury stock, at cost, in the Consolidated Balance Sheet.

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

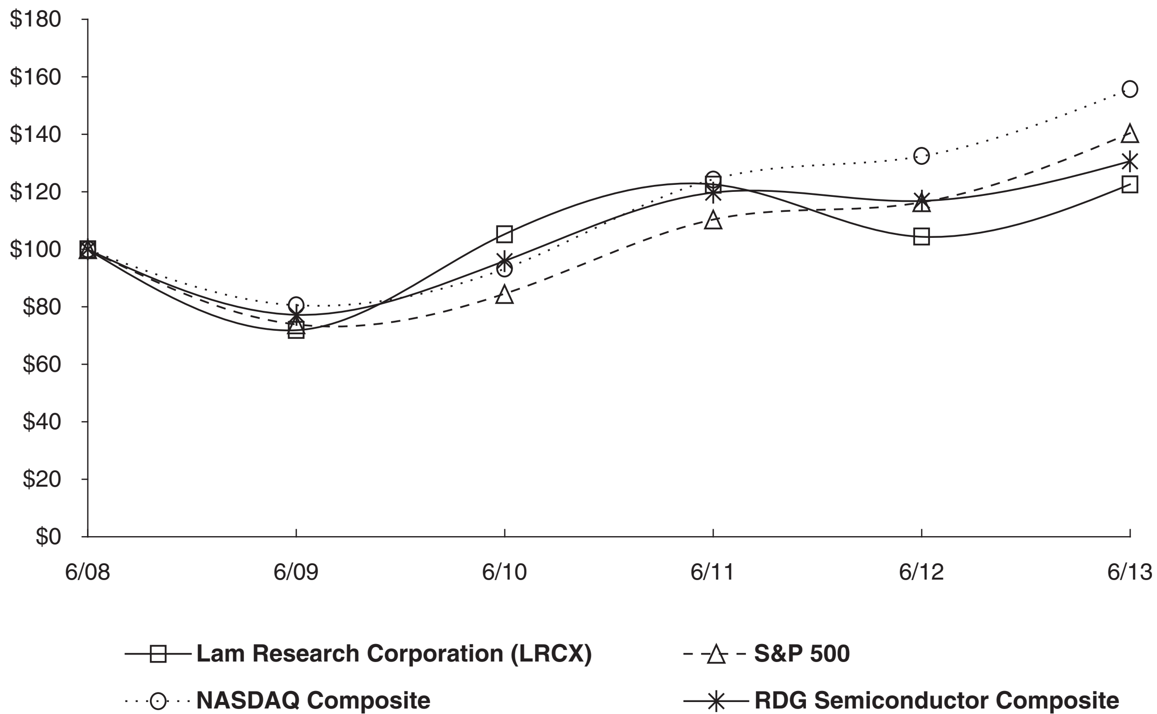
Period	Total Number of Shares Repurchased (1)	Average Price Paid Per Share*	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Amount Available Under Repurchase Program
	(in thousands, except per share data)			
Amount available at June 24, 2012				$911,933
Quarter ending September 23, 2012	12,098	$34.79	11,970	$567,932
Quarter ending December 23, 2012	10,384	$34.76	10,190	$213,903
Quarter ended March 31, 2013	5,533	$37.96	5,312	$ —
Authorization of $250 million - April 2013				$250,000
April 1, 2013 - April 30, 2013	21	$41.93	—	$250,000
May 1, 2013 - May 31, 2013	107	$47.11	90	$250,000
June 1, 2013 - June 30, 2013	14	$45.97	—	$250,000
Total	28,157	$35.28	27,562	$250,000

* Average price paid per share excludes accelerated share repurchases for which cost was incurred in fiscal year 2012, but shares were received in fiscal year 2013 and for which costs were incurred in the quarter ended March 31, 2013, but for which final settlement of shares was not received until the quarter ended June 30, 2013. See *Collared Accelerated Share Repurchases* section above for details regarding average price associated with these transactions.

(1) In addition to shares repurchased under Board authorized repurchase programs, included in this column are 595,000 shares acquired at a total cost of $22.9 million which the Company withheld through net share settlements to cover tax withholding obligations upon the vesting of restricted stock unit awards granted under the Company's equity compensation plans. The shares retained by the Company through these net share settlements are not a part of the Board-authorized repurchase program but instead are authorized under the Company's equity compensation plans.

Cumulative 5-year Return

The graph below compares Lam Research Corporation's cumulative 5-year total shareholder return on common stock with the cumulative total returns of the NASDAQ Composite index and the Research Data Group, Incorporated ("RDG") Semiconductor Composite index. The graph tracks the performance of a $100 investment in our common stock and in each of the indices (with the reinvestment of all dividends) from June 30, 2008 to June 30, 2013.



*$100 invested on 6/30/08 in stock or index, including reinvestment of dividends.
Fiscal year ending June 30.

Copyright© 2013 S&P, a division of The McGraw-Hill Companies Inc. All rights reserved.

	6/08	6/09	6/10	6/11	6/12	6/13
Lam Research Corporation (LRCX)	**100.00**	**71.92**	**105.28**	**122.49**	**104.40**	**122.66**
NASDAQ Composite	**100.00**	**80.56**	**93.30**	**124.28**	**132.47**	**155.74**
S&P 500	**100.00**	**73.79**	**84.43**	**110.35**	**116.36**	**140.32**
RDG Semiconductor Composite	**100.00**	**77.27**	**95.93**	**119.71**	**116.91**	**130.56**

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

	Year Ended				
	June 30, 2013 (1)	**June 24, 2012 (1)**	**June 26, 2011**	**June 27, 2010**	**June 28, 2009**
	(in thousands, except per share data)				
OPERATIONS:					
Revenue	$3,598,916	$2,665,192	$3,237,693	$2,133,776	$1,115,946
Gross margin	1,403,059	1,084,069	1,497,232	969,935	388,734
Goodwill impairment (2)	—	—	—	—	96,255
Restructuring charges, net (3)	1,813	1,725	11,579	21,314	44,513
409A expense (4)	—	—	—	(38,590)	3,232
Legal judgment	—	—	—	—	4,647
Operating income (loss)	118,071	237,733	804,285	425,410	(281,243)
Net income (loss)	113,879	168,723	723,748	346,669	(302,148)
Net income (loss) per share:					
Basic	$ 0.67	$ 1.36	$ 5.86	$ 2.73	$ (2.41)
Diluted	$ 0.66	$ 1.35	$ 5.79	$ 2.71	$ (2.41)
BALANCE SHEET:					
Working capital	$2,389,354	$2,988,181	$2,592,506	$1,198,004	$ 855,064
Total assets	7,250,315	8,004,652	4,053,867	2,487,392	1,993,184
Long-term obligations, less current portion	1,170,048	1,255,600	903,263	160,600	158,019

(1) Fiscal year 2013 amounts include operating results of Novellus. Fiscal year 2012 amounts include 20 days of operating results of Novellus from the acquisition date of June 4, 2012. The acquisition was accounted for as a business combination in accordance with the applicable accounting guidance.

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

(3) Restructuring charges, net exclude restructuring charges (releases) included in cost of goods sold and reflected in gross margin of ($1.0) million, $3.4 million, and $21.0 million for fiscal years 2012, 2010, and 2009, respectively. Restructuring amounts included in cost of goods sold and reflected in gross margin during fiscal year 2009 primarily relate to the Company's alignment of its cost structure with the outlook for the economic environment and business opportunities.

(4) 409A expense excludes a credit included in cost of goods sold and reflected in gross margin of $5.8 million in fiscal year 2010 related to a reversal of accrued liabilities due to final settlement of matters associated with our Internal Revenue Code Section 409A ("409A") expenses from the 2007 voluntary independent stock option review. Following a voluntary independent review of its historical stock option granting process, the Company considered whether Section 409A of the Internal Revenue Code of 1986, as amended ("IRC"), and similar provisions of state law, applied to certain stock option grants as to which, under the applicable accounting guidance, intrinsic value was deemed to exist at the time of the options' measurement dates. If, under applicable tax principles, an employee stock option is not considered as granted with an exercise price equal to the fair market value of the underlying stock on the grant date, then the optionee may be subject to federal and state penalty taxes under Section 409A (collectively, "Section 409A liabilities"). On March 30, 2008, the Board of Directors authorized the Company (i) to assume potential Section 409A Liabilities, inclusive of applicable penalties and interest, of current and past employees arising

from the exercise in 2006 or 2007 of Company stock options that vested after 2004, and (ii) if necessary, to compensate such employees for additional tax liability associated with that assumption.

	Three Months Ended (1)			
	June 30, 2013	March 31, 2013	December 23, 2012	September 23, 2012
	(in thousands, except per share data)			
QUARTERLY FISCAL YEAR 2013:				
Revenue	$986,214	$844,928	$860,886	$906,888
Gross margin	413,927	339,832	315,414	333,886
Restructuring charges, net - operating expenses	792	—	1,021	—
Operating income	86,498	10,819	4,042	16,712
Net income	85,707	18,996	6,408	2,768
Net income per share				
Basic	$ 0.53	$ 0.12	$ 0.04	$ 0.02
Diluted	$ 0.50	$ 0.11	$ 0.04	$ 0.02
Number of shares used in per share calculations:				
Basic	162,520	163,034	170,699	179,928
Diluted	169,722	168,504	173,027	181,926

	Three Months Ended (1)			
	June 24, 2012	March 25, 2012	December 25, 2011	September 25, 2011
	(in thousands, except per share data)			
QUARTERLY FISCAL YEAR 2012:				
Revenue	$741,814	$658,961	$583,981	$680,436
Gross margin	298,213	267,147	234,826	283,883
Restructuring charges, net - operating expenses	—	—	—	1,725
Operating income	32,670	58,118	47,546	99,399
Net income	18,069	45,604	33,212	71,838
Net income per share				
Basic	$ 0.13	$ 0.38	$ 0.28	$ 0.58
Diluted	$ 0.13	$ 0.38	$ 0.27	$ 0.58
Number of shares used in per share calculations:				
Basic	133,997	119,841	119,739	123,130
Diluted	135,842	120,956	120,873	124,049

(1) Our reporting period is a 52/53-week fiscal year. The fiscal years ended June 30, 2013 and June 24, 2012 included 53 and 52 weeks, respectively. All quarters presented above included 13 weeks, except the quarter ended March 31, 2013, which included 14 weeks.

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

The following discussion of our financial condition and results of operations contains forward-looking statements, which are subject to risks, uncertainties and changes in condition, significance, value and effect. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including but not limited to those discussed in "Risk Factors" and elsewhere in this 2013 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 2013 Form 10-K).

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") provides a description of our results of operations and should be read in conjunction with our Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements included in this 2013 Form 10-K. MD&A consists of the following sections:

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

Results of Operations provides an analysis of operating results.

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

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

Executive Summary

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

The semiconductor capital equipment industry has been highly competitive and subject to business cycles that historically have been characterized by rapid changes in demand that necessitate adjusting spending and managing capital allocation prudently across business cycles. Today's leading indicators of change in customer investment patterns, such as electronics demand, memory pricing, and foundry utilization rates, may not be any more reliable than in prior years. Demand for our equipment can vary significantly from period to period as a result of various factors, including, but not limited to, economic conditions (both general and in the semiconductor and electronics industries), industry supply and demand, prices for semiconductors, customer capacity requirements, and our ability to develop, acquire, and market competitive products. For these and other reasons, our results of operations during any particular period are not necessarily indicative of future operating results.

Demand for our products declined slightly in the first half of fiscal year 2013 as semiconductor device manufacturers delayed certain capacity investments. Industry conditions started to improve during the second half of fiscal year 2013 as customers increased their investments in semiconductor equipment to support healthy demand. We believe that, over the long term, demand for our products will increase as customers' capital

expenditures rise to meet growing demand for semiconductor devices, particularly in mobile markets, and address the increasing complexity of semiconductor manufacturing.

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

	Year Ended						
	June 30, 2013	June 24, 2012	June 26, 2011	FY13 vs. FY12		FY12 vs. FY11	
	(in thousands, except per share data and percentages)						
Revenue	$3,598,916	$2,665,192	$3,237,693	$933,724	35.0%	$(572,501)	-17.7%
Gross margin	1,403,059	1,084,069	1,497,232	$318,990	29.4%	$(413,163)	-27.6%
Gross margin as a percent of total revenue	39.0%	40.7%	46.2%	-1.7%		-5.5%	
Total operating expenses	1,284,988	846,336	692,947	$438,652	51.8%	$ 153,389	22.1%
Net income	113,879	168,723	723,748	$ (54,844)	-32.5%	$(555,025)	-76.7%
Diluted net income per share	$ 0.66	$ 1.35	$ 5.79	$ (0.69)	-51.1%	$ (4.44)	-76.7%

On June 4, 2012 we completed our acquisition of Novellus Systems, Inc ("Novellus"). Results for fiscal year 2013 include Novellus operations. Results for fiscal year 2012 include Novellus operations from the acquisition date through June 24, 2012. Lam's primary reasons for this acquisition were to complement existing product offerings and to provide opportunities for revenue growth and cost synergies.

Fiscal year 2013 revenues increased 35% compared to fiscal year 2012, reflecting a full fiscal year of operations post-acquisition of Novellus. The decrease in gross margin as a percentage of revenue for the fiscal year 2013 compared to fiscal year 2012 was due primarily to amortization of acquired intangible assets and acquisition-related inventory fair value adjustments. Operating expenses in fiscal year 2013 increased as compared to fiscal year 2012 primarily reflecting a full fiscal year of operations post-acquisition of Novellus and operating expenses related to acquired intangible asset amortization and Novellus integration costs.

Our cash and cash equivalents, short-term investments, and restricted cash and investments balances totaled approximately $2.7 billion as of June 30, 2013 compared to $3.0 billion as of June 24, 2012. This decrease was primarily the result of $956 million of share repurchases offset by $720 million in cash provided by operating activities. This compares to $499 million in cash provided by operating activities during fiscal year 2012. The increased operating cash flows in fiscal year 2013 versus fiscal year 2012 were primarily the result of higher revenue levels.

Results of Operations

Shipments and Backlog

	Year Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
Shipments (in millions)	$3,714	$2,672	$3,306
Taiwan	29%	18%	23%
North America	20%	17%	13%
Korea	16%	36%	21%
Asia Pacific	16%	11%	17%
Japan	11%	10%	13%
Europe	8%	8%	13%

Shipments for fiscal year 2013 were approximately $3.7 billion and increased by 39% compared to fiscal year 2012. Shipments for fiscal year 2012 were approximately $2.7 billion and decreased by 19% compared to fiscal year 2011. The increase in shipments during fiscal year 2013 as compared to fiscal year 2012 related to

having a full year of combined operations with Novellus and the strengthening of customer demand in the second half of fiscal year 2013. The decrease in shipments during fiscal year 2012 as compared to fiscal year 2011 related to change in demand for semiconductor equipment, especially in the first half of fiscal year 2012.

The percentage of total system shipments to each of the market segments we serve were as follows for fiscal years 2013, 2012, and 2011. In the December 2011 quarter we modified the foundry category to include manufacturers that have a majority of their logic capacity available for the foundry business. These shipments were previously reported in the logic/integrated device manufacturing category.

	Year Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
Memory	36%	45%	49%
Foundry	49%	46%	32%
Logic/integrated device manufacturing	15%	9%	19%

Unshipped orders in backlog as of June 30, 2013 were approximately $764 million and decreased from approximately $870 million as of June 24, 2012. Our unshipped orders backlog includes orders for systems, spares, and services. Please refer to “Backlog” in Part I Item 1, “Business” of this report for a description of our policies for adding to and adjusting backlog.

Revenue

	Year Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
Revenue (in millions)	$3,599	$2,665	$3,238
Taiwan	29%	18%	24%
North America	20%	17%	12%
Korea	17%	33%	23%
Asia Pacific	16%	11%	15%
Japan	10%	12%	13%
Europe	8%	9%	13%

The revenue increase in fiscal year 2013 as compared to fiscal year 2012 reflected a full fiscal year of operations post-acquisition of Novellus. The revenue decrease in fiscal year 2012 as compared to fiscal year 2011 was due to the decrease in customer capacity investments. Our revenue levels are generally correlated to the amount of shipments and our installation and acceptance timelines. The overall Asia region continues to account for a majority of our revenues as a substantial amount of the worldwide capacity additions for semiconductor manufacturing continues to occur in this region. Our deferred revenue balance increased to $389.2 million as of June 30, 2013 compared to $335.4 million as of June 24, 2012, due to increased customer shipment levels in the second half of fiscal year 2013. Our deferred revenue balance does not include shipments to Japanese customers, to whom title does not transfer until customer acceptance. Shipments to Japanese customers are classified as inventory at cost until the time of customer acceptance. The anticipated future revenue value from shipments to Japanese customers was approximately $70 million as of June 30, 2013 compared to $23 million as of June 24, 2012.

Gross Margin

	Year Ended						
	June 30, 2013	June 24, 2012	June 26, 2011	FY13 vs. FY12		FY12 vs. FY11	
	(in thousands, except percentages)						
Gross margin	$1,403,059	$1,084,069	$1,497,232	$318,990	29.4%	$(413,163)	-27.6%
Percent of total revenue	39.0%	40.7%	46.2%	-1.7%		-5.5%	

The decrease in gross margin as a percentage of revenue for fiscal year 2013 compared to fiscal year 2012 was due primarily to higher acquisition-related inventory fair value adjustments of approximately $77 million, amortization of acquired intangible assets of approximately $78 million, and $16 million of costs associated with rationalization of certain product configurations. Offsetting these higher acquisition and product configuration related expenses was a favorable change in gross margin as a result of increased business volume.

The decrease in gross margin as a percentage of revenue for fiscal year 2012 compared to fiscal year 2011 was due primarily to decreased factory and field utilization as a result of lower volume, and less favorable customer and product mix.

Research and Development

	Year Ended						
	June 30, 2013	June 24, 2012	June 26, 2011	FY13 vs. FY12		FY12 vs. FY11	
	(in thousands, except percentages)						
Research & development ("R&D")	$683,688	$444,559	$373,293	$239,129	53.8%	$71,266	19.1%
Percent of total revenue	19.0%	16.7%	11.5%	2.3%		5.2%	

We continued to make significant R&D investments focused on leading-edge plasma etch, deposition, single-wafer clean and other semiconductor manufacturing requirements. Fiscal year 2013 reflects a full year of combined operations with Novellus, while fiscal year 2012 reflects mainly Lam as a standalone entity. Increased R&D expense included $111 million in salary and benefits mainly due to higher headcount, $46 million in supplies, $26 million in depreciation and amortization due to new product development, $15 million in outside services, and an additional $12 million in rent, utilities and repairs. Overall R&D expenses as a percentage of revenue have increased as a result of technology inflections such as the transition to multi-patterning and three dimensional devices.

The increase in R&D spending during fiscal year 2012 compared to fiscal year 2011 was due primarily to an $18 million increase in salary and benefits as a result of higher headcount, a $21 million increase in supplies, and an $11 million increase in depreciation related to new product development. Also included in our results are $11 million of Novellus-related R&D expenses that were incurred in the June 2012 quarter from the acquisition date through June 24, 2012.

Selling, General and Administrative

	Year Ended						
	June 30, 2013	June 24, 2012	June 26, 2011	FY13 vs. FY12		FY12 vs. FY11	
	(in thousands, except percentages)						
Selling, general & administrative ("SG&A")	$599,487	$400,052	$308,075	$199,435	49.9%	$91,977	29.9%
Percent of total revenue	16.7%	15.0%	9.5%	1.7%		5.5%	

The increase in SG&A expense during fiscal year 2013 compared to fiscal year 2012 was due primarily to the impact of combined operations with Novellus. Increased expense includes $108 million in salary and benefits due to higher headcount, $73 million of intangible asset amortization, $29 million in integration cost, and $14 million in rent/repair/utilities, all offset by a $47 million decrease in acquisition-related cost.

The increase in SG&A expense during fiscal year 2012 compared to fiscal year 2011 was due primarily to $63 million in expenses related to the Novellus acquisition and integration and $13 million of Novellus related SG&A expenses, including $4 million of intangible asset amortization, incurred in the June 2012 quarter from the acquisition date through June 24, 2012.

Restructuring

During fiscal year 2011 we incurred restructuring charges of $11.6 million consisting primarily of certain facilities charges related to the reassessment of future obligations for previously restructured leases.

For further details related to restructuring, see Note 19 of the Notes to Consolidated Financial Statements.

Other Income (Expense), Net

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

	Year Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
	(in thousands)		
Interest income	$ 14,737	$ 12,141	$ 9,890
Interest expense	(60,408)	(38,962)	(5,380)
Gains (losses) on deferred compensation plan related assets	9,764	(914)	5,682
Foreign exchange loss	(6,808)	(397)	(11,085)
Other, net	(8,698)	(5,183)	(2,516)
	$(51,413)	$(33,315)	$ (3,409)

The increase in interest income during fiscal year 2013 as compared with fiscal year 2012 and during fiscal year 2012 compared with fiscal year 2011 was primarily due to increases in our average cash and investment balances from cash provided by operations and proceeds from convertible note financing, which was partially offset by treasury stock transactions and the decrease in interest rate yields.

The increase in interest expense during fiscal year 2013 as compared with fiscal year 2012 and during fiscal year 2012 as compared with fiscal year 2011 was primarily due to the issuance of the $900 million convertible notes during May 2011 and the 2041 Notes assumed in June 2012 in connection with the Novellus acquisition.

Foreign exchange losses in fiscal year 2013 were related to un-hedged portions of the balance sheet exposures, primarily in the Japanese yen, Korean won and Taiwanese dollar. We incurred insignificant foreign exchange losses in fiscal year 2012 related to un-hedged balance sheet exposures. Foreign exchange losses in fiscal year 2011 were related to un-hedged portions of the balance sheet exposures, primarily in the euro, Korean won, and Singapore dollar.

Other expenses during fiscal year 2013 increased as compared to fiscal year 2012 primarily due to a $3.7 million other-than-temporary impairment of a public equity investment recognized during the March 2013 quarter. Other expenses during fiscal year 2012 increased as compared to fiscal year 2011 primarily due to a $1.7 million other-than temporary impairment of a private equity investment recognized during the September 2011 quarter and increased charitable contributions.

Income Tax Expense

Our annual income tax expense(benefit) was $(47.2) million, $35.7 million, and $77.1 million in fiscal years 2013, 2012, and 2011, respectively. Our effective tax rate for fiscal years 2013, 2012, and 2011 was (70.8) %, 17.5%, and 9.6%, respectively. The decrease in the effective tax rate in fiscal year 2013 as compared to fiscal year 2012 was primarily due to the level of income, tax benefits related to the recognition of previously unrecognized tax benefits due to lapse of statute of limitations and successful resolution of certain tax matters, the change in geographical mix of income between higher and lower tax jurisdictions, and tax benefit due to the

retroactive reinstatement of the federal research and development tax credit in January 2013. The increase in the effective tax rate in fiscal year 2012 as compared to fiscal year 2011 was primarily due to the level of income, the change in geographical mix of income between higher and lower tax jurisdictions, decrease in federal research and development tax credit due to the expiration of the credit on December 31, 2011, increase in non-deductible stock based compensation, and non-deductible acquisition costs.

International revenues account for a significant portion of our total revenues, such that a material portion of our pre-tax income is earned and taxed outside the United States at rates that are generally lower than in the United States. Please refer to Note 15 of the Notes to Consolidated Financial Statements.

Deferred Income Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as the tax effect of carryforwards. Our gross deferred tax assets, composed primarily of reserves and accruals that are not currently deductible and tax credit carryforwards, were $317.8 million and $253.7 million at the end of fiscal years 2013 and 2012, respectively. These gross deferred tax assets were offset by deferred tax liabilities of $259.3 million and $285.6 million at the end of fiscal years 2013 and 2012, respectively, and a valuation allowance of $76.6 million and $55.2 million at the end of fiscal years 2013 and 2012, respectively. The change in the gross deferred tax assets and deferred tax liabilities between fiscal year 2013 and 2012 is primarily due to an increase of tax credit attributes resulting from the extension of the federal research and development tax credit in fiscal year 2013, resolution of certain tax matters, and reversal of deferred tax liabilities related to intangibles and fixed assets.

We record a valuation allowance to reduce our deferred tax assets to the amount that is more-likely-than-not to be realized. Realization of our net deferred tax assets is dependent on future taxable income. We believe it is more likely than not that such assets will be realized; however, ultimate realization could be negatively impacted by market conditions and other variables not known or anticipated at this time. In the event that we determine that we would not be able to realize all or part of our net deferred tax assets, an adjustment would be charged to earnings in the period such determination is made. Likewise, if we later determine that it is more-likely-than-not that the deferred tax assets would be realized, then the previously provided valuation allowance would be reversed. Our fiscal years 2013 and 2012 valuation allowance of $76.6 million and $55.2 million primarily relate to California and certain foreign deferred tax assets.

At our fiscal year end of June 30, 2013 we continue to record a valuation allowance to offset the entire California deferred tax asset balance due to the impact of the cost of performance sales factor sourcing rule and the single sales factor apportionment election resulting in lower taxable income in California. We also continue to record valuation allowance on certain foreign entities' net operating losses.

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

Uncertain Tax Positions

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

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make certain judgments, estimates and assumptions that could affect the

reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. We based our estimates and assumptions on historical experience and on various other assumptions we believed to be applicable and evaluate them on an ongoing basis to ensure they remain reasonable under current conditions. Actual results could differ significantly from those estimates.

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

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

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

Inventory Valuation: Inventories are stated at the lower of cost or market using standard costs that generally approximate actual costs on a first-in, first-out basis. We maintain a perpetual inventory system and continuously record the quantity on-hand and standard cost for each product, including purchased components, subassemblies, and finished goods. We maintain the integrity of perpetual inventory records through periodic physical counts of quantities on hand. Finished goods are reported as inventories until the point of title transfer to the customer. Unless specified in the terms of sale, title generally transfers when we complete physical transfer of the products to the freight carrier. Transfer of title for shipments to Japanese customers generally occurs at the time of customer acceptance.

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

conditions are less favorable than our projections, additional inventory write-downs may be required and would be reflected in cost of goods sold in the period in which we make the revision.

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

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

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

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

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

We recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense. Please refer to Note 15 of the Notes to the Consolidated Financial Statements for additional information.

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

Goodwill and Intangible Assets: The valuation of intangible assets acquired in a business combination requires the use of management estimates including but not limited to estimating future expected cash flows from assets acquired and determining discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Estimates associated with the accounting for acquisitions may change as additional information becomes available.

Goodwill represents the amount by which the purchase price in each business combination exceeds the fair value of the net tangible and identifiable intangible assets acquired. Each component of the Company for which discrete financial information is available and for which segment management regularly reviews the results of operations is considered a reporting unit. All goodwill acquired in a business combination is assigned to one or more reporting units as of the acquisition date. Goodwill is assigned to the Company's reporting units that are expected to benefit from the synergies of the combination. The goodwill assigned to a reporting unit is the difference between the acquisition consideration assigned to the reporting unit on a relative fair value basis and the fair value of acquired assets and liabilities that can be specifically attributed to the reporting unit. We test goodwill and identifiable intangible assets with indefinite useful lives for impairment at least annually. We amortize intangible assets with estimable useful lives over their respective estimated useful lives, and we review for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable and the carrying amount exceeds its fair value.

We review goodwill at least annually for impairment. If certain events or indicators of impairment occur between annual impairment tests, we would perform an impairment test of goodwill at that date. In testing for a potential impairment of goodwill, we: (1) allocate goodwill to our reporting units to which the acquired goodwill relates; (2) estimate the fair value of our reporting units; and (3) determine the carrying value (book value) of those reporting units, as some of the assets and liabilities related to those reporting units are not held by those reporting units but by a corporate function. Prior to this allocation of the assets to the reporting units, we are required to assess long-lived assets for impairment. Furthermore, if the estimated fair value of a reporting unit is less than the carrying value, we must estimate the fair value of all identifiable assets and liabilities of that reporting unit, in a manner similar to a purchase price allocation for an acquired business. This can require independent valuations of certain internally generated and unrecognized intangible assets such as in-process R&D and developed technology. Only after this process is completed can the amount of goodwill impairment, if any, be determined. Beginning with our fiscal year 2012 goodwill impairment analysis, we adopted new accounting guidance that allowed us to first assess qualitative factors to determine whether it was necessary to perform a quantitative analysis. Under the revised guidance, an entity is no longer required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more-likely-than-not that its fair value is less than its carrying amount. Our most recent annual goodwill impairment analysis, which was performed as of April 1, 2013, did not result in a goodwill impairment charge, nor did we record any goodwill impairment in fiscal 2012 or 2011. As a result of historical performance and growth potential, our Clean systems reporting unit may be at greater risk for goodwill impairment than our other reporting units if our actual results for this reporting unit differ from our projections.

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

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

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

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

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (“FASB”) issued new authoritative guidance that increases the prominence of items reported in other comprehensive income (“OCI”) by eliminating the option to present components of OCI as part of the statement of changes in stockholders’ equity. The amendments in this standard require that all non-owner changes in stockholders’ equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. We adopted this guidance in the September 2012 quarter. The implementation of this authoritative guidance did not have an impact on our financial position or results of operations, but did change the presentation of our financial statements.

In February 2013, the FASB issued an accounting standard update regarding the reporting of amounts reclassified out of accumulated other comprehensive income. The February 2013 update does not change the current requirements for reporting net income or other comprehensive income in financial statements. However, this update requires an entity to present on the face of the financial statements or in the notes amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. As allowed in the update, the Company elected to early adopt these disclosure amendments in the quarter ended March 31, 2013. The implementation of this update did not impact the Company’s financial position, results of operations or cash flows as it was disclosure-only in nature.

In July 2013, the FASB released Accounting Standards Update 2013-11 "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists".

The new standard requires that an unrecognized tax benefit should be presented as a reduction of a deferred tax asset for a net operating loss carryforward or other tax credit carryforward when settlement in this manner is available under the tax law. We are required to adopt this standard starting fiscal year 2015 and are currently in the process of determining the impact, if any, on our financial position.

Liquidity and Capital Resources

Total gross cash, cash equivalents, short-term investments, and restricted cash and investments balances were $2.7 billion at the end of fiscal year 2013 compared to $3.0 billion at the end of fiscal year 2012. This decrease was primarily due to share repurchases of $956 million, partially offset by cash generated by operations of $720 million. Approximately $2.0 billion of our total cash and investments as of June 30, 2013 were held outside the U.S. in our foreign subsidiaries, of which substantially all would be subject to tax at U.S. rates if it were to be repatriated. Refer to Note 15 of our Consolidated Financial Statements, included in Item 15 of this report, for information concerning the potential tax impact of repatriating earnings for certain non-U.S. subsidiaries that are permanently reinvested outside the U.S.

Cash Flows from Operating Activities

Net cash provided by operating activities of $720 million during fiscal year 2013 consisted of (in millions):

Net income	$113.9
Non-cash charges:	
Depreciation and amortization	304.1
Equity-based compensation	99.3
Restructuring charges, net	1.8
Deferred income taxes	(70.2)
Amortization of convertible note discount	31.6
Impairment of investment	3.7
Changes in operating asset and liability accounts	200.2
Other	35.5
	$719.9

Significant changes in operating asset and liability accounts, net of foreign exchange impact, included the following sources of cash: decreases in accounts receivable of $162.6 million and inventories of $76.4 million and an increase in deferred profit of $60.2 million, partially offset by the following uses of cash: decreases in accounts payable of $58.1 million and accrued liabilities of $43.8 million.

Cash Flows from Investing Activities

Net cash used for investing activities during fiscal year 2013 was $238.6 million which was primarily due to capital expenditures of $160.8 million and net purchases of available-for-sale securities of $58.4 million.

Cash Flows from Financing Activities

Net cash used for financing activities during fiscal year 2013 was $887.8 million which was primarily due to $955.7 million in treasury stock repurchases, partially offset by net proceeds from issuance of common stock related to employee equity-based plans of $70.6 million.

Liquidity

Given the cyclical nature of the semiconductor equipment industry, we believe that maintaining sufficient liquidity reserves is important to support sustaining levels of investment in R&D and capital infrastructure. Based

upon our current business outlook, we expect that our levels of cash, cash equivalents, and short-term investments at June 30, 2013 will be sufficient to support our presently anticipated levels of operations, investments, debt service requirements, and capital expenditures, through at least the next 12 months.

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

Off-Balance Sheet Arrangements and Contractual Obligations

We have certain obligations to make future payments under various contracts, some of which are recorded on our balance sheet and some of which are not. Obligations are recorded on our balance sheet in accordance with GAAP and include our long-term debt which is outlined in the following table and noted below. Our off-balance sheet arrangements include contractual relationships and are presented as operating leases and purchase obligations in the table below. Our contractual cash obligations and commitments as of June 30, 2013, relating to these agreements and our guarantees are included in the following table. The amounts in the table below exclude $246.5 million of liabilities related to uncertain tax benefits as we are unable to reasonably estimate the ultimate amount or time of settlement. See Note 15 of Notes to the Consolidated Financial Statements for further discussion.

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years	Sublease Income
			(in thousands)			
Operating Leases	$ 39,148	$ 14,122	$ 17,815	$ 7,967	$ 4,446	$(5,202)
Capital Leases	13,981	1,849	3,625	8,507	—	—
Purchase Obligations	158,596	147,425	9,045	2,126	—	—
Long-term Debt and Interest Expense*	2,145,977	26,248	502,215	497,290	1,120,224	—
Total	$2,357,702	$189,644	$532,700	$515,890	$1,124,670	$(5,202)

* The conversion period for the 2041 Notes opened as of June 30, 2013 and as such the net carrying value of the 2041 Notes is included within current liabilities on our Consolidated Balance Sheet. The $700 million principal balance of the 2041 Notes has been included in the more than 5 years payment period in the table above, which reflects the contractual maturity assuming no conversion. See Note 13 of our Consolidate Financial Statements, included in Item 15 of this report, for additional information concerning the 2041 Notes and associated conversion features.

Operating Leases

We lease most of our administrative, R&D and manufacturing facilities, regional sales/service offices and certain equipment under non-cancelable operating leases. Certain of our facility leases for buildings located at our Fremont, California headquarters, Livermore facilities, and certain other facility leases provide us with an option to extend the leases for additional periods or to purchase the facilities. Certain of our facility leases provide for periodic rent increases based on the general rate of inflation. In addition to amounts included in the table above, we have guaranteed residual values for certain of our Fremont and Livermore facility leases of up to $164.9 million. See Note 14 of Notes to the Consolidated Financial Statements for further discussion.

Capital Leases

Capital leases reflect building and office equipment lease obligations. The amounts in the table above include the interest portion of payment obligations.

Purchase Obligations

Purchase obligations consist of significant contractual obligations either on an annual basis or over multi-year periods related to our outsourcing activities or other material commitments, including vendor-consigned inventories. The contractual cash obligations and commitments table presented above contains our minimum obligations at June 30, 2013 under these arrangements and others. For obligations with cancellation provisions, the amounts included in the preceding table were limited to the non-cancelable portion of the agreement terms or the minimum cancellation fee. Actual expenditures will vary based on the volume of transactions and length of contractual service provided.

Long-Term Debt

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

In June 2012, with the acquisition of Novellus, we assumed $700 million in aggregate principal amount of 2.625% Convertible Senior Notes due May 2041 (the "2041 Notes"). The 2041 Notes were issued at par and pay interest at a rate of 2.625% per annum. The 2041 Notes may be converted, under certain circumstances, into our common stock based on an initial conversion rate of 28.4781 shares of common stock per $1,000 principal amount of notes, which represents an initial conversion price of approximately $35.11 per share of common stock.

During fiscal year 2013, 2012, and 2011 we made $2.2 million, $5.3 million, and $4.5 million, respectively, in principal payments on long-term debt and capital leases, respectively.

Other Guarantees

We have issued certain indemnifications to our lessors for taxes and general liability under some of our agreements. We have entered into certain insurance contracts that may limit our exposure to such indemnifications. As of June 30, 2013, we had not recorded any liability on our Consolidated Financial Statements in connection with these indemnifications, as we do not believe, based on information available, that it is probable that we will pay any amounts under these guarantees.

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

We provide guarantees and standby letters of credit to certain parties as required for certain transactions initiated during the ordinary course of business. As of June 30, 2013, the maximum potential amount of future payments that we could be required to make under these arrangements and letters of credit was $15.0 million. We do not believe, based on historical experience and information currently available, that it is probable that any amounts will be required to be paid.

Warranties

We offer standard warranties on our systems. The liability amount is based on actual historical warranty spending activity by type of system, customer, and geographic region, modified for any known differences such as the impact of system reliability improvements.

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

Investments

We maintain an investment portfolio of various holdings, types, and maturities. As of June 30, 2013, our mutual funds are classified as trading securities. Investments classified as trading securities are recorded at fair value based upon quoted market prices. Any material differences between the cost and fair value of trading securities is recognized as “Other income (expense)” in our Consolidated Statement of Operations. All of our other short-term investments are classified as available-for-sale and consequently are recorded in the Consolidated Balance Sheets at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income, net of tax.

Interest Rate Risk

Fixed Income Securities

Our investments in various interest earning securities carry a degree of market risk for changes in interest rates. At any time, a sharp rise in interest rates could have a material adverse impact on the fair value of our fixed income investment portfolio. Conversely, declines in interest rates could have a material adverse impact on interest income for our investment portfolio. We target to maintain a conservative investment policy, which focuses on the safety and preservation of our capital by limiting default risk, market risk, reinvestment risk, and concentration risk. The following table presents the hypothetical fair values of fixed income securities that would result from selected potential decreases and increases in interest rates. Market changes reflect immediate hypothetical parallel shifts in the yield curve of plus or minus 50 basis points ("BPS"), 100 BPS, and 150 BPS. The hypothetical fair values as of June 30, 2013 were as follows:

	Valuation of Securities Given an Interest Rate Decrease of X Basis Points			Fair Value as of June 30, 2013	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	$ 273,239	$ 271,741	$ 270,243	$ 268,746	$ 267,248	$ 265,750	$ 264,252
US Treasury & Agencies	159,745	158,261	156,778	155,293	153,811	152,327	150,843
Government-Sponsored Enterprises	55,937	55,560	55,182	54,805	54,427	54,049	53,671
Foreign Government Bond	25,450	25,291	25,131	24,972	24,813	24,654	24,495
Corporate Notes and Bonds	874,596	869,895	865,194	860,492	855,790	851,089	846,388
Mortgage Backed Securities - Residential	28,544	28,151	27,758	27,365	26,972	26,579	26,186
Mortgage Backed Securities - Commercial	110,105	109,389	108,673	107,958	107,241	106,525	105,809
Total	$1,527,616	$1,518,288	$1,508,959	$1,499,631	$1,490,302	$1,480,973	$1,471,644

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

Long-Term Debt

As of June 30, 2013, we had $1.6 billion in principal amount of fixed-rate long-term debt outstanding, with a fair value of $2.0 billion. The fair value of our Notes is subject to interest rate risk, market risk and other factors due to the convertible feature. Generally, the fair value of Notes will increase as interest rates fall and/or our common stock price increases, and decrease as interest rates rise and/or our common stock price decreases. The interest and market value changes affect the fair value of our Notes but do not impact our financial position, cash flows, or results of operations due to the fixed nature of the debt obligations. We do not carry the Notes at fair value, but present the fair value of the principal amount of our Notes for disclosure purposes.

Equity Price Risk

Publicly Traded Securities

The values of our investments in publicly traded securities, including mutual funds related to our obligations under our deferred compensation plans, are subject to market price risk. The following table presents the hypothetical fair values of our publicly traded securities that would result from selected potential decreases and increases in the price of each security in the portfolio. Potential fluctuations in the price of each security in the portfolio of plus or minus 10%, 15%, or 25% were selected based on potential near-term changes in those security prices. The hypothetical fair values as of June 30, 2013 were as follows:

	Valuation of Securities Given an X% Decrease in Stock Price			Fair Value as of June 30, 2013	Valuation of Securities Given an X% Increase in Stock Price		
	(25%)	(15%)	(10%)	0.00%	10%	15%	25%
				(in thousands)			
Mutual Funds	$13,662	$15,484	$16,394	$18,216	$20,038	$20,948	$22,770
Publicly traded equity securities	$ 5,322	$ 6,032	$ 6,386	$ 7,096	$ 7,806	$ 8,160	$ 8,870
Total	$18,984	$21,515	$22,781	$25,312	$27,843	$29,109	$31,640

Foreign Currency Exchange ("FX") Risk

We conduct business on a global basis in several major international currencies. As such, we are potentially exposed to adverse as well as beneficial movements in foreign currency exchange rates. The majority of our revenues and expenses are denominated in U.S. dollars. However, we are exposed to foreign currency exchange rate fluctuations primarily related to revenues denominated in Japanese yen and euro-denominated expenses.

Currently, we enter into foreign currency forward contracts to minimize the short-term impact of foreign currency exchange rate fluctuations on certain foreign currency denominated monetary assets and liabilities, primarily third party accounts receivables, accounts payables and intercompany receivables and payables. In addition, we hedge certain anticipated foreign currency cash flows, primarily on Japanese yen-denominated revenues and euro-denominated expenses. We currently believe these are our primary exposures to currency rate fluctuation.

To protect against the reduction in value of anticipated revenues denominated in Japanese yen-and euro-denominated expenses, we enter into foreign currency forward contracts that generally expire within 12 months, and no later than 24 months. These foreign currency forward contracts are designated as cash flow hedges and are carried on our balance sheet at fair value, with the effective portion of the contracts' gains or losses included in accumulated other comprehensive income (loss) and subsequently recognized in earnings in the same period the hedged revenue and/or expense is recognized. We also enter into foreign currency forward contracts to hedge the gains and losses generated by the remeasurement of certain non-U.S.-dollar denominated monetary assets and liabilities, primarily third party accounts receivables, accounts payables and intercompany receivables and payables. The change in fair value of these balance sheet hedge contracts is recorded into earnings as a component of other income (expense), net and offsets the change in fair value of the foreign currency denominated monetary assets and liabilities also recorded in other income (expense), net, assuming the hedge contract fully covers the intercompany and trade receivable balances. The notional amount and unrealized gain of our outstanding forward contracts that are designated as cash flow hedges, as of June 30, 2013 are shown in the

table below. This table also shows the change in fair value of these cash flow hedges assuming a hypothetical foreign currency exchange rate movement of plus-or-minus 10 percent and plus-or-minus 15 percent.

		Notional Amount	Unrealized FX Gain / (Loss) June 30, 2013	Valuation of Fx Contracts Given an X% Increase (+)/Decrease(-) in Each Fx Rate	
				+ / - (10%)	+ / - (15%)
			(in $ Millions)		
Cash Flow Hedge					
Sell	Japanese Yen	$137.3	$1.5	$13.6	$20.3
Buy	Euro	$ 59.9	$1.8	$ 6.1	$ 9.2
			$3.3	$19.7	$29.5

The notional amount and unrealized loss of our outstanding foreign currency forward contracts that are designated as balance sheet hedges, as of June 30, 2013 are shown in the table below. This table also shows the change in fair value of these balance sheet hedges, assuming a hypothetical foreign currency exchange rate movement of plus-or-minus 10 percent and plus-or-minus 15 percent. These changes in fair values would be offset in other income (expense), net, by corresponding change in fair values of the foreign currency denominated monetary assets and liabilities, assuming the hedge contract fully covers the intercompany and trade receivable balances.

		Notional Amount	Unrealized FX Gain / (Loss) June 30, 2013	Valuation of Fx Contracts Given an X% Increase (+)/Decrease(-) in Each Fx Rate	
				+ / - (10%)	+ / - (15%)
			(in $ Millions)		
Balance Sheet Hedge					
Sell	Japanese Yen	$ 97.4	$ 0.0	$ 9.7	$14.6
Sell	Euro	$ 0.8	$ 0.0	$ 0.1	$ 0.1
Buy	Korean Won	$ 14.1	$ 0.0	$ 1.4	$ 2.1
Buy	Taiwan Dollar	$120.6	$(0.5)	$12.0	$18.1
Buy	Swiss Francs	$ 17.1	$ 0.0	$ 1.7	$ 2.6
			$(0.5)	$24.9	$37.5

Item 8. *Financial Statements and Supplementary Data*

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

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

None.

Item 9A. *Controls and Procedures*

Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of June 30, 2013, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e). Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer each concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

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

Changes in Internal Control Over Financial Reporting

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

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate "internal control over financial reporting", as that term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Management has used the framework set forth in the report entitled "Internal Control — Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the Company's internal control over financial reporting. Based on that evaluation, management has concluded that the Company's internal control over financial reporting was effective as of June 30, 2013 at providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Ernst & Young LLP, an independent registered public accounting firm, has audited the Company's internal control over financial reporting, as stated in their report, which is included in Part IV, Item 15 of this 2013 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 controls over financial reporting. The effectiveness of controls cannot be absolute because the cost to design and implement a control to identify errors or mitigate the risk of errors occurring should not outweigh the potential loss caused by the errors that would likely be detected by the control. Moreover, we believe that a control system cannot be guaranteed to be 100% effective all of the time. Accordingly, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

Item 9B. *Other Information*

None.

PART III

We have omitted from this 2013 Form 10-K certain information required by Part III because we, as the Registrant, will file a definitive proxy statement with the Securities and Exchange Commission (SEC) within 120 days after the end of our fiscal year, pursuant to Regulation 14A, as promulgated by the SEC, for our Annual Meeting of Stockholders expected to be held on or about November 7, 2013 (the "Proxy Statement"), and certain information included in the Proxy Statement is incorporated into this report by reference. (However, the Reports of the Audit Committee and Compensation Committee in the Proxy Statement are expressly not incorporated by reference into this report.)

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

For information regarding our executive officers, see Part I, Item 1 of this 2013 Form 10-K under the caption "Executive Officers of the Company," which information is incorporated into Part III by reference.

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

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

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

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

Item 11. *Executive Compensation*

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

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

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

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

The information required by this Item is incorporated by reference to our Proxy Statement under the headings "Certain Relationships and Related Transactions" and "Corporate Governance".

Item 14. *Principal Accounting Fees and Services*

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

PART IV

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

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

1. Index to Financial Statements

	Page
Consolidated Balance Sheets — June 30, 2013 and June 24, 2012	53
Consolidated Statements of Operations — Years Ended June 30, 2013, June 24, 2012 , and June 26, 2011	54
Consolidated Statements of Other Comprehensive Income — Years Ended June 30, 2013, June 24, 2012, and June 26, 2011	55
Consolidated Statements of Cash Flows — Years Ended June 30, 2013, June 24, 2012, and June 26, 2011	56
Consolidated Statements of Stockholders' Equity — Years Ended June 30, 2013, June 24, 2012, and June 26, 2011	57
Notes to Consolidated Financial Statements	58
Reports of Independent Registered Public Accounting Firm	98

2. Index to Financial Statement Schedules

Schedule II — Valuation and Qualifying Accounts	103

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 (b) of this Item 15, which is incorporated herein by reference.

(b) The list of Exhibits follows page 104 of this 2013 Form 10-K and is incorporated herein by this reference.

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

	June 30, 2013	June 24, 2012
ASSETS		
Cash and cash equivalents	$ 1,162,473	$ 1,564,752
Short-term investments	1,334,745	1,297,931
Accounts receivable, less allowance for doubtful accounts of $5,448 as of June 30, 2013 and $5,248 as of June 24, 2012	602,624	765,818
Inventories	559,317	632,853
Deferred income taxes	27,674	47,782
Prepaid expenses and other current assets	106,996	105,973
Total current assets	3,793,829	4,415,109
Property and equipment, net	603,910	584,596
Restricted cash and investments	166,536	166,335
Goodwill	1,452,196	1,446,303
Intangible assets, net	1,074,345	1,240,427
Other assets	159,499	151,882
Total assets	$ 7,250,315	$ 8,004,652
LIABILITIES AND STOCKHOLDERS' EQUITY		
Trade accounts payable	$ 200,254	$ 258,778
Accrued expenses and other current liabilities	464,528	492,178
Deferred profit	225,038	164,833
Current portion of long-term debt, convertible notes, and capital leases	514,655	511,139
Total current liabilities	1,404,475	1,426,928
Long-term debt, convertible notes, and capital leases	789,256	761,783
Income taxes payable	246,479	274,240
Other long-term liabilities	134,313	219,577
Total liabilities	2,574,523	2,682,528
Commitments and contingencies		
Senior convertible notes	186,920	190,343
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 - 162,873 shares at June 30, 2013 and 186,656 shares at June 24, 2012	163	187
Additional paid-in capital	5,084,544	4,943,539
Treasury stock, at cost, 89,205 shares at June 30, 2013 and 62,068 shares at June 24, 2012	(3,539,830)	(2,636,936)
Accumulated other comprehensive loss	(28,693)	(33,818)
Retained earnings	2,972,688	2,858,809
Total stockholders’ equity	4,488,872	5,131,781
Total liabilities and stockholders' equity	$ 7,250,315	$ 8,004,652

See Notes to Consolidated Financial Statements

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

	Year Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
Revenue	$3,598,916	$2,665,192	$3,237,693
Cost of goods sold	2,195,857	1,581,123	1,740,461
Gross margin	1,403,059	1,084,069	1,497,232
Research and development	683,688	444,559	373,293
Selling, general and administrative	599,487	400,052	308,075
Restructuring charges, net	1,813	1,725	11,579
Total operating expenses	1,284,988	846,336	692,947
Operating income	118,071	237,733	804,285
Other expense, net	(51,413)	(33,315)	(3,409)
Income before income taxes	66,658	204,418	800,876
Income tax expense (benefit)	(47,221)	35,695	77,128
Net income	$ 113,879	$ 168,723	$ 723,748
Net income per share:			
Basic net income per share	$ 0.67	$ 1.36	$ 5.86
Diluted net income per share	$ 0.66	$ 1.35	$ 5.79
Number of shares used in per share calculations:			
Basic	168,932	124,176	123,529
Diluted	173,430	125,233	125,019

See Notes to Consolidated Financial Statements

LAM RESEARCH CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Year Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
Net income	$113,879	$168,723	$723,748
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	5,303	(37,332)	80,695
Cash flow hedges:			
Net unrealized gains (losses) during the period	10,607	(9,342)	(5,134)
Net losses (gains) reclassified into earnings	(7,573)	8,549	5,716
	3,034	(793)	582
Available-for-sale investments:			
Net unrealized gains (losses) during the period	(3,844)	(204)	185
Net losses (gains) reclassified into earnings	4,137	(849)	(666)
	293	(1,053)	(481)
Defined benefit plans, net change in unrealized component	(3,505)	(4,401)	(1,186)
Other comprehensive income (loss), net of tax	5,125	(43,579)	79,610
Comprehensive income	$119,004	$125,144	$803,358

See Notes to Consolidated Financial Statements

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

	Year Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 113,879	$ 168,723	$ 723,748
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	304,116	100,825	74,759
Deferred income taxes	(70,155)	42,446	(10,721)
Restructuring charges, net	1,813	866	11,579
Impairment of investment	3,711	1,724	—
Equity-based compensation expense	99,330	81,559	53,012
Income tax benefit on equity-based compensation plans	(483)	1,510	28,775
Excess tax benefit on equity-based compensation plans	539	(2,686)	(23,290)
Amortization of convertible note discount	31,558	27,028	3,554
Other, net	35,388	10,877	(2,341)
Changes in operating asset and liability accounts:			
Accounts receivable, net of allowance	162,634	66,064	(89,716)
Inventories	76,351	73,987	(77,461)
Prepaid expenses and other assets	2,880	43,171	(25,282)
Trade accounts payable	(58,081)	12,145	42,320
Deferred profit	60,205	(9,236)	34,012
Accrued expenses and other liabilities	(43,752)	(119,975)	138,080
Net cash provided by operating activities	719,933	499,028	881,028
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures and intangible assets	(160,795)	(107,272)	(127,495)
Cash acquired in (paid for) business acquisition	(9,916)	418,681	—
Purchases of available-for-sale securities	(1,097,956)	(883,429)	(564,485)
Sales and maturities of available-for-sale securities	1,039,551	841,440	210,962
Purchase of equity method and other investments	—	(10,740)	(417)
Receipt of loan payments (loans made)	(10,000)	8,375	—
Proceeds from sale of assets	660	2,677	1,544
Transfer of restricted cash and investments	(181)	(6)	(22)
Net cash provided by (used for) investing activities	(238,637)	269,726	(479,913)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on long-term debt and capital lease obligations	(2,234)	(5,265)	(4,530)
Net proceeds from issuance of long-term debt & convertible notes	—	—	882,831
Proceeds from sale of warrants	—	—	133,830
Purchase of convertible note hedge	—	—	(181,125)
Excess tax benefit on equity-based compensation plans	(539)	2,686	23,290
Treasury stock purchases	(955,661)	(772,663)	(211,316)
Net cash received in settlement of (paid in advance for) stock repurchase contracts	—	55,194	(149,589)
Reissuances of treasury stock related to employee stock purchase plan	31,265	25,525	21,194
Proceeds from issuance of common stock	39,379	1,776	12,401
Net cash provided by (used for) financing activities	(887,790)	(692,747)	526,986
Effect of exchange rate changes on cash	4,215	(3,387)	18,264
Net increase (decrease) in cash and cash equivalents	(402,279)	72,620	946,365
Cash and cash equivalents at beginning of year	1,564,752	1,492,132	545,767
Cash and cash equivalents at end of year	$ 1,162,473	$1,564,752	$1,492,132
Schedule of noncash transactions			
Accrued payables for stock repurchases	$ —	$ 20,853	$ —
Supplemental disclosures:			
Cash payments for interest	$ 26,635	$ 8,246	$ 232
Cash payments for income taxes, net	$ 7,695	$ 29,113	$ 70,774

See Notes to Consolidated Financial Statements

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

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income(Loss)	Retained Earnings	Total
Balance at June 27, 2010	125,946	$126	$1,452,939	$(1,581,417)	$(69,849)	$1,966,336	$1,768,135
Sale of common stock	1,744	2	12,404	—	—	—	12,406
Purchase of treasury stock	(4,790)	(5)	(149,589)	(197,840)	—	—	(347,434)
Income tax benefit on equity-based compensation plans	—	—	28,775	—	—	—	28,775
Reissuance of treasury stock	679	1	3,549	17,666	—	2	21,218
Equity-based compensation expense	—	—	53,012	—	—	—	53,012
Issuance of convertible notes	—	—	110,655	—	—	—	110,655
Sale of warrants	—	—	133,830	—	—	—	133,830
Purchase of convertible note hedge	—	—	(114,110)	—	—	—	(114,110)
Net income	—	—	—	—	—	723,748	723,748
Other comprehensive income	—	—	—	—	79,610	—	79,610
Balance at June 26, 2011	123,579	124	1,531,465	(1,761,591)	9,761	2,690,086	2,469,845
Sale of common stock	1,513	1	1,767	—	—	—	1,768
Purchase of treasury stock	(21,946)	(22)	158,673	(896,971)	—	—	(738,320)
Income tax benefit on equity-based compensation plans	—	—	1,510	—	—	—	1,510
Reissuance of treasury stock	821	1	3,899	21,626	—	—	25,526
Equity-based compensation expense	—	—	81,559	—	—	—	81,559
Shares issued as acquisition consideration	82,689	83	3,026,905	—	—	—	3,026,988
Acquisition of convertible debt	—	—	137,783	—	—	—	137,783
Exercise of convertible note	—	—	(22)	—	—	—	(22)
Net income	—	—	—	—	—	168,723	168,723
Other comprehensive income	—	—	—	—	(43,579)	—	(43,579)
Balance at June 24, 2012	186,656	187	4,943,539	(2,636,936)	(33,818)	2,858,809	5,131,781
Sale of common stock	3,301	3	39,377	—	—	—	39,380
Purchase of treasury stock	(28,157)	(28)	—	(934,780)	—	—	(934,808)
Income tax benefit on equity-based compensation plans	—	—	(483)	—	—	—	(483)
Reissuance of treasury stock	1,073	1	(622)	31,886	—	—	31,265
Equity-based compensation expense	—	—	99,310	—	—	—	99,310
Reclassification from temporary to permanent equity	—	—	3,423	—	—	—	3,423
Net income	—	—	—	—	—	113,879	113,879
Other comprehensive income	—	—	—	—	5,125	—	5,125
Balance at June 30, 2013	162,873	$163	$5,084,544	$(3,539,830)	$(28,693)	$2,972,688	$4,488,872

See Notes to Consolidated Financial Statements

Note 1: Company and Industry Information

The Company designs, manufactures, markets, refurbishes and services semiconductor processing equipment used in the fabrication of integrated circuits. Semiconductor wafers are subjected to a complex series of process and preparation steps that result in the simultaneous creation of many individual integrated circuits. The Company leverages its expertise in the areas of etch, deposition, and single-wafer clean to develop processing solutions that typically benefit its customers through lower defect rates, enhanced yields, faster processing time, and reduced cost.

The Company sells its products and services primarily to companies involved in the production of semiconductors in North America, Europe, Taiwan, Korea, Japan, and other countries in Asia Pacific.

The semiconductor industry is cyclical in nature and has historically experienced periodic downturns and upturns. Today's leading indicators of changes in customer investment patterns, such as electronics demand, memory pricing, and foundry utilization rates, may not be any more reliable than in prior years. Demand for the Company's equipment can vary significantly from period to period as a result of various factors, including, but not limited to, economic conditions, supply, demand, and prices for semiconductors, customer capacity requirements, and the Company's ability to develop and market competitive products. For these and other reasons, the Company's results of operations for fiscal years 2013, 2012, and 2011 may not necessarily be indicative of future operating results.

Note 2: Summary of Significant Accounting Policies

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

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

been delivered to the customer but all conditions for revenue recognition have not been met, the Company defers revenue recognition until customer acceptance and records the deferred revenue and/or deferred costs of sales in deferred profit on the Consolidated Balance Sheet.

Inventory Valuation: Inventories are stated at the lower of cost or market using standard costs which generally approximate actual costs on a first-in, first-out basis. The Company maintains a perpetual inventory system and continuously records the quantity on-hand and standard cost for each product, including purchased components, subassemblies, and finished goods. The Company maintains the integrity of perpetual inventory records through periodic physical counts of quantities on hand. Finished goods are reported as inventories until the point of title transfer to the customer. 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 acquisition costs. Acquisition costs are generally based on the most recent vendor contract prices for purchased parts, normalized assembly and test labor utilization levels, methods of manufacturing, and normalized overhead. Manufacturing labor and overhead costs are attributed to individual product standard costs at a level planned to absorb spending at average utilization volumes.

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

Warranty: Typically, the sale of semiconductor capital equipment includes providing parts and service warranty to customers as part of the overall price of the system. The Company provides standard warranties for its systems. The Company records a provision for estimated warranty expenses to cost of sales for each system upon revenue recognition. The amount recorded is based on an analysis of historical activity which uses factors such as type of system, customer, geographic region, and any known factors such as tool reliability trends. All actual or estimated parts and labor costs incurred in subsequent periods are charged to those established reserves on a system-by-system basis.

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

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

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

The Company recognizes the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense. 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 our tax provision in a subsequent period.

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

Goodwill and Intangible Assets: The valuation of intangible assets acquired in a business combination requires the use of management estimates including but not limited to estimating future expected cash flows from assets acquired and determining discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Estimates associated with the accounting for acquisitions may change as additional information becomes available.

Goodwill represents the amount by which the purchase price of a business combination exceeds the fair value of the net tangible and identifiable intangible assets acquired. Each component of the Company for which discrete financial information is available and for which segment management regularly reviews the results of operations is considered a reporting unit. All goodwill acquired in a business combination is assigned to one or more reporting units as of the acquisition date. Goodwill is assigned to the Company's reporting units that are expected to benefit from the synergies of the combination. The goodwill assigned to a reporting unit is the difference between the acquisition consideration assigned to the reporting unit on a relative fair value basis and the fair value of acquired assets and liabilities that can be specifically attributed to the reporting unit. The Company tests goodwill and identifiable intangible assets with indefinite useful lives for impairment at least annually. The value intangible assets with estimable useful lives is amortized over their respective estimated useful lives, and the Company reviews for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable and the carrying amount exceeds its fair value.

The Company reviews goodwill at least annually for impairment. Should certain events or indicators of impairment occur between annual impairment tests, the Company would perform an impairment test of goodwill at that date. In testing for a potential impairment of goodwill, the Company: (1) allocates goodwill to our reporting units to which the acquired goodwill relates; (2) estimates the fair value of its reporting units; and (3) determines the carrying value (book value) of those reporting units. Prior to this allocation of the assets to the reporting units, the Company is required to assess long-lived assets for impairment. Furthermore, if the estimated fair value of a reporting unit is less than the carrying value, the Company must estimate the fair value of all identifiable assets and liabilities of that reporting unit, in a manner similar to a purchase price allocation for an acquired business. This can require independent valuations of certain internally generated and unrecognized intangible assets such as in-process research and development and developed technology. Only after this process is completed can the amount of goodwill impairment, if any, be determined. Beginning with its fiscal year 2012 goodwill impairment analysis, the Company adopted new accounting guidance that allowed it to first assess qualitative factors to determine whether it was necessary to perform a quantitative analysis. Under the revised guidance, an entity no longer required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more-likely-than-not that its fair value is less than its carrying amount. The Company did not record impairments of goodwill during the years ended June 30, 2013, June 24, 2012, or June 26, 2011.

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

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

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

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

Fiscal Year: The Company follows a 52/53-week fiscal reporting calendar, and its fiscal year ends on the last Sunday of June each year. The Company's most recent fiscal year ended on June 30, 2013 and included 53

weeks. The fiscal years ended June 24, 2012 and June 26, 2011 included 52 weeks. The Company's next fiscal year, ending on June 29, 2014 will include 52 weeks.

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

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

Allowance for Doubtful Accounts: The Company evaluates its allowance for doubtful accounts based on a combination of factors. In circumstances where specific invoices are deemed to be uncollectible, the Company provides a specific allowance for bad debt against the amount due to reduce the net recognized receivable to the amount it reasonably believes will be collected. The Company also provides allowances based on its write-off history.

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

Impairment of Long-Lived Assets (Excluding Goodwill and Intangibles): The Company routinely considers whether indicators of impairment of long-lived assets are present. If such indicators are present, the Company determines whether the sum of the estimated undiscounted cash flows attributable to the assets is less than their carrying value. If the sum is less, the Company recognizes an impairment loss based on the excess of the carrying amount of the assets over their respective fair values. Fair value is determined by discounted future cash flows, appraisals or other methods. If the assets determined to be impaired are to be held and used, the Company recognizes an impairment charge to the extent the present value of anticipated net cash flows attributable to the

asset are less than the asset's carrying value. The fair value of the asset then becomes the asset's new carrying value, which the Company depreciates over the remaining estimated useful life of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value. The Company did not record impairments of long lived assets held for use during fiscal years 2013, 2012, or 2011.

Derivative Financial Instruments: In the normal course of business, the Company's financial position is routinely subjected to market risk associated with foreign currency exchange rate fluctuations. The Company's policy is to mitigate the effect of these exchange rate fluctuations on certain foreign currency denominated business exposures. The Company has a policy that allows the use of derivative financial instruments to hedge foreign currency exchange rate fluctuations on forecasted revenue and expenses and net monetary assets or liabilities denominated in various foreign currencies. The Company carries derivative financial instruments (derivatives) on the balance sheet at their fair values. The Company does not use derivatives for trading or speculative purposes. The Company does not believe that it is exposed to more than a nominal amount of credit risk in its interest rate and foreign currency hedges, as counterparties are large, global and well-capitalized financial institutions. The Company's exposures are in liquid currencies (Japanese yen, Swiss francs, euros, Taiwanese dollars, and Korean won), so there is minimal risk that appropriate derivatives to maintain the Company's hedging program would not be available in the future.

To hedge foreign currency risks, the Company uses foreign currency exchange forward contracts, where possible and prudent. These forward contracts are valued using standard valuation formulas with assumptions about future foreign currency exchange rates derived from existing exchange rates, interest rates, and other market factors.

The Company considers its most current forecast in determining the level of foreign currency denominated revenue and expenses to hedge as cash flow hedges. The Company combines these forecasts with historical trends to establish the portion of its expected volume to be hedged. The revenue and expenses are hedged and designated as cash flow hedges to protect the Company from exposures to fluctuations in foreign currency exchange rates. If the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, the related hedge gains and losses on the cash flow hedge are reclassified from accumulated other comprehensive income (loss) to interest and other income (expense) on the consolidated statement of operations at that time.

Guarantees: The Company has certain operating leases that contain provisions whereby the properties subject to the operating leases may be remarketed at lease expiration. The Company has guaranteed to the lessor an amount approximating the lessor's investment in the property. The Company has recorded a liability for certain guaranteed residual values related to these specific operating lease agreements. Also, the Company's guarantees generally include certain indemnifications to its lessors under operating lease agreements for environmental matters, potential overdraft protection obligations to financial institutions related to one of the Company's subsidiaries, indemnifications to the Company's customers for certain infringement of third-party intellectual property rights by its products and services, and the Company's warranty obligations under sales of its products.

Foreign Currency Translation: The Company's non-U.S. subsidiaries that operate in a local currency environment, where that local currency is the functional currency, primarily generate and expend cash in their local currency. Billings and receipts for their labor and services are primarily denominated in the local currency, and the workforce is paid in local currency. Accordingly, all balance sheet accounts of these local functional currency subsidiaries are translated at the fiscal period-end exchange rate, and income and expense accounts are translated using average rates in effect for the period, except for costs related to those balance sheet items that are translated using historical exchange rates. The resulting translation adjustments are recorded as cumulative translation adjustments and are a component of accumulated other comprehensive income (loss). Translation adjustments are recorded in other income (expense), net, where the U.S. dollar is the functional currency.

Note 3: Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued new authoritative guidance that increases the prominence of items reported in other comprehensive income ("OCI") by eliminating the option to present components of OCI as part of the statement of changes in stockholders' equity. The amendments in this standard require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company adopted this guidance in the September 2012 quarter. The implementation of this authoritative guidance did not have an impact on the Company's financial position or results of operations, but did change the presentation of the Company's financial statements.

In February 2013, the FASB issued an accounting standard update regarding the reporting of amounts reclassified out of accumulated other comprehensive income. The February 2013 update does not change the current requirements for reporting net income or other comprehensive income in financial statements. However, this update requires an entity to present on the face of the financial statements or in the notes amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. As allowed in the update, the Company elected to early adopt these disclosure amendments in the quarter ended March 31, 2013. The implementation of this update did not impact the Company's financial position, results of operations or cash flows as it was disclosure-only in nature.

In July 2013, the FASB released Accounting Standards Update 2013-11 "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists". The new standard requires that an unrecognized tax benefit should be presented as a reduction of a deferred tax asset for a net operating loss carryforward or other tax credit carryforward when settlement in this manner is available under the tax law. The Company is required to adopt this standard starting fiscal year 2015 and is currently in the process of determining the impact, if any, on its financial position.

Note 4: Financial Instruments

Fair Value

The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

A fair value hierarchy has been established that prioritizes the inputs to valuation techniques used to measure fair value. The level of an asset or liability in the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities with sufficient volume and frequency of transactions.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or model-derived valuations techniques for which all significant inputs are observable in the market or can be corroborated by, observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities and based on non-binding, broker-provided price quotes and may not have been corroborated by observable market data.

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis:

	Total	Fair Value Measurement at June 30, 2013 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Assets				
Short-Term Investments				
Money Market Funds	$ 725,311	$ 725,311	$ —	$—
Municipal Notes and Bonds	268,746	—	268,746	—
US Treasury and Agencies	155,293	155,293	—	—
Government-Sponsored Enterprises	54,805	—	54,805	—
Foreign Government Bonds	24,972	—	24,972	—
Corporate Notes and Bonds	860,492	164,885	695,607	—
Mortgage Backed Securities - Residential	27,365	—	27,365	—
Mortgage Backed Securities - Commercial	107,958	—	107,958	—
Total Short-Term Investments	**$2,224,942**	**$1,045,489**	**$1,179,453**	**$—**
Equities	7,096	7,096	—	—
Mutual Funds	18,216	18,216	—	—
Derivatives Assets	4,929	—	4,929	—
Total	**$2,255,183**	**$1,070,801**	**$1,184,382**	**$—**
Liabilities				
Derivative liabilities	$ 1,815	$ —	$ 1,620	$195

The amounts in the table above are reported in the consolidated balance sheet as of June 30, 2013 as follows:

Reported As:	Total	(Level 1)	(Level 2)	(Level 3)
	(In thousands)			
Cash Equivalents	$ 725,311	$ 725,311	$ —	$—
Short-Term Investments	1,334,746	155,293	1,179,453	—
Restricted Cash and Investments	164,885	164,885	—	—
Prepaid Expenses and Other Current Assets	4,929	—	4,929	—
Other Assets	25,312	25,312	—	—
Total	**$2,255,183**	**$1,070,801**	**$1,184,382**	**$—**
Accrued Expenses and Other Current Liabilities	$ 1,620	$ —	$ 1,620	$—
Other Non-current Liabilities	195	—	—	195
Total Liabilities	**$ 1,815**	**$ —**	**$ 1,620**	**$195**

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis:

	Total	Fair Value Measurement at June 24, 2012		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Assets				
Short-Term Investments				
Money Market Funds	$1,318,812	$1,318,812	$ —	$—
Municipal Notes and Bonds	322,567	—	322,567	—
US Treasury and Agencies	137,446	130,624	6,822	—
Government-Sponsored Enterprises	123,268	—	123,268	—
Foreign Government Bonds	6,358	—	6,358	—
Corporate Notes and Bonds	768,901	164,885	604,016	—
Mortgage Backed Securities - Residential	25,972	—	25,972	—
Mortgage Backed Securities - Commercial	84,853	—	84,853	—
Total Short-Term Investments	**$2,788,177**	**$1,614,321**	**$1,173,856**	**$—**
Equities	5,913	5,913	—	—
Mutual Funds	17,754	17,754	—	—
Derivatives Assets	5,020	—	5,020	—
Total	**$2,816,864**	**$1,637,988**	**$1,178,876**	**$—**
Liabilities				
Derivative liabilities	$ 4,529	$ —	$ 4,328	$201

The amounts in the table above are reported in the consolidated balance sheet as of June 24, 2012 as follows:

	Total	(Level 1)	(Level 2)	(Level 3)
Reported As:	(In thousands)			
Cash Equivalents	$1,325,361	$1,318,812	$ 6,549	$—
Short-Term Investments	1,297,931	130,624	1,167,307	—
Restricted Cash and Investments	164,885	164,885	—	—
Prepaid Expenses and Other Current Assets	5,020	—	5,020	—
Other Assets	23,667	23,667	—	—
Total	**$2,816,864**	**$1,637,988**	**$1,178,876**	**$—**
Accrued Expenses and Other Current Liabilities	$ 4,328	$ —	$ 4,328	$—
Other Non-current Liabilities	201	—	—	201
Total Liabilities	**$ 4,529**	**$ —**	**$ 4,328**	**$201**

The Company's primary financial instruments include its cash, cash equivalents, short-term investments, restricted cash and investments, long-term investments, accounts receivable, accounts payable, long-term debt and capital leases, and foreign currency related derivatives. The estimated fair value of cash, accounts receivable and accounts payable approximates their carrying value due to the short period of time to their maturities. The estimated fair values of capital lease obligations approximate their carrying value as the substantial majority of these obligations have interest rates that adjust to market rates on a periodic basis. Refer to Note 13 of the Notes to the Consolidated Financial Statements for additional information regarding the fair value of the Company's convertible notes.

Investments

The following tables summarize the Company's investments (in thousands):

	June 30, 2013				June 24, 2012			
	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value
Cash	$ 438,813	$ —	$ —	$ 438,813	$ 240,841	$ —	$ —	$ 240,841
Fixed Income Money Market Funds	725,311	—	—	725,311	1,318,812	—	—	1,318,812
Municipal Notes and Bonds	268,390	805	(449)	268,746	321,001	1,574	(8)	322,567
US Treasury and Agencies	155,648	18	(373)	155,293	137,516	43	(113)	137,446
Government-Sponsored Enterprises	54,835	65	(95)	54,805	123,269	67	(68)	123,268
Foreign Government Bonds	24,950	47	(25)	24,972	6,315	43	—	6,358
Corporate Notes and Bonds	861,109	1,328	(1,945)	860,492	767,847	1,443	(389)	768,901
Mortgage Backed Securities - Residential	27,618	29	(282)	27,365	25,857	121	(6)	25,972
Mortgage Backed Securities - Commercial	108,204	426	(672)	107,958	84,682	555	(384)	84,853
Total Cash and Short - Term Investments	**$2,664,878**	**$2,718**	**$(3,841)**	**$2,663,755**	**$3,026,140**	**$3,846**	**$ (968)**	**$3,029,018**
Publicly Traded Equity Securities	$ 5,610	$1,486	$ —	$ 7,096	$ 9,320	$ —	$(3,407)	$ 5,913
Private Equity Securities	5,000	—	—	5,000	5,000	—	—	5,000
Mutual Funds	16,611	1,619	(14)	18,216	17,459	366	(71)	17,754
Total Financial Instruments	**$2,692,099**	**$5,823**	**$(3,855)**	**$2,694,067**	**$3,057,919**	**$4,212**	**$(4,446)**	**$3,057,685**
As Reported								
Cash and Cash Equivalents	$1,162,473	$ —	$ —	$1,162,473	$1,564,752	$ —	$ —	$1,564,752
Short-Term Investments	1,335,868	2,718	(3,841)	1,334,745	1,295,053	3,846	(968)	1,297,931
Restricted Cash and Investments	166,536	—	—	166,536	166,335	—	—	166,335
Other Assets	27,222	3,105	(14)	30,313	31,779	366	(3,478)	28,667
Total	**$2,692,099**	**$5,823**	**$(3,855)**	**$2,694,067**	**$3,057,919**	**$4,212**	**$(4,446)**	**$3,057,685**

The Company accounts for its investment portfolio at fair value. Realized gains (losses) for investment sales are specifically identified. Management assesses the fair value of investments in debt securities that are not actively traded through consideration of interest rates and their impact on the present value of the cash flows to be received from the investments. The Company also considers whether changes in the credit ratings of the issuer could impact the assessment of fair value. Net realized gains (losses) on investments included other-than-temporary impairment charges of $3.7 million, $1.7 million, and $0 million in fiscal years 2013, 2012, and 2011, respectively. Additionally, gross realized gains/(losses) from sales of investments were approximately $1.6 million and $(1.5) million in fiscal year 2013, $1.4 million and $(1.0) million in fiscal year 2012, and $0.7 million and $(0.3) million in fiscal year 2011, respectively.

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

	June 30, 2013					
	UNREALIZED LOSSES LESS THAN 12 MONTHS		UNREALIZED LOSSES 12 MONTHS OR GREATER		TOTAL	
	Fair Value	Unrealized	Fair Value	Unrealized	Fair Value	Unrealized
Fixed Income Securities						
Municipal Notes and Bonds	$ 65,792	$ (449)	$ —	$ —	$ 65,792	$ (449)
US Treasury and Agencies	116,312	(373)	—	—	116,312	(373)
Government-Sponsored Enterprises	14,929	(95)	—	—	14,929	(95)
Foregin Government Bonds	13,700	(25)	—	—	13,700	(25)
Corporate Notes and Bonds	390,119	(1,918)	895	(27)	391,014	(1,945)
Mortgage Backed Securities - Residential	24,952	(282)	—	—	24,952	(282)
Mortgage Backed Securities - Commercial	69,357	(579)	4,158	(93)	73,515	(672)
Total Fixed Income	**$695,161**	**$(3,721)**	**$5,053**	**$(120)**	**$700,214**	**$(3,841)**

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

	Cost	Estimated Fair Value
	(in thousands)	
Due in one year or less	$1,171,873	$1,172,331
Due after one year through five years	888,904	887,858
Due in more than five years	165,288	164,753
	$2,226,065	$2,224,942

Management has the ability, if necessary, to liquidate any of its cash equivalents and short-term investments in order to meet the Company's liquidity needs in the next 12 months. Accordingly, those investments with contractual maturities greater than one year from the date of purchase nonetheless are classified as short-term on the accompanying Consolidated Balance Sheets.

Derivative Instruments and Hedging

The Company carries derivative financial instruments ("derivatives") on its Consolidated Balance Sheets at their fair values. The Company enters into foreign currency forward contracts with financial institutions with the primary objective of reducing volatility of earnings and cash flows related to foreign currency exchange rate fluctuations. The counterparties to these foreign currency forward contracts are large global financial institutions that the Company believes are creditworthy, and therefore, we do not consider the risk of counterparty nonperformance to be material.

Cash Flow Hedges

The Company's financial position is routinely subjected to market risk associated with foreign currency exchange rate fluctuations on non-US dollar transactions or cash flows, primarily from Japanese yen-denominated revenues and euro-denominated expenses. The Company's policy is to mitigate the foreign exchange risk arising from the fluctuations in the value of these non-US dollar denominated transactions or cash flows through a foreign currency cash flow hedging program, using foreign currency forward contracts that

generally expire within 12 months and no later than 24 months. These foreign currency forward contracts are designated as cash flow hedges and are carried on the Company's balance sheet at fair value with the effective portion of the contracts' gains or losses included in accumulated other comprehensive income (loss) and subsequently recognized in revenue/expense in the same period the hedged items are recognized.

At inception and at each quarter end, hedges are tested prospectively and retrospectively for effectiveness using regression analysis. Changes in the fair value of foreign currency forward contracts due to changes in time value are excluded from the assessment of effectiveness and are recognized in revenue in the current period. The change in time value related to these contracts was not material for all reported periods. To qualify for hedge accounting, the hedge relationship must meet criteria relating both to the derivative instrument and the hedged item. These criteria include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows will be measured. There were no gains or losses during the twelve months ended June 30, 2013 or June 24, 2012 associated with ineffectiveness or forecasted transactions that failed to occur.

To receive hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge and the hedges must be tested to demonstrate an expectation of providing highly effective offsetting changes to future cash flows on hedged transactions. When derivative instruments are designated and qualify as effective cash flow hedges, the Company recognizes effective changes in the fair value of the hedging instrument within accumulated other comprehensive income (loss) until the hedged exposure is realized. Consequently, with the exception of excluded time value and hedge ineffectiveness recognized, the Company's results of operations are not subject to fluctuation as a result of changes in the fair value of the derivative instruments. If hedges are not highly effective or if the Company does not believe that the underlying hedged forecasted transactions will occur, the Company may not be able to account for its derivative instruments as cash flow hedges. If this were to occur, future changes in the fair values of the Company's derivative instruments would be recognized in earnings. Additionally, related amounts previously recorded in "Other comprehensive income" would be reclassified to income immediately. At June 30, 2013, the Company had gains of $2.8 million accumulated in Other Comprehensive Income, which it expects to reclassify from Other Comprehensive Income into earnings over the next 12 months.

Balance Sheet Hedges

The Company also enters into foreign currency forward contracts to hedge fluctuations associated with foreign currency denominated monetary assets and liabilities, primarily third party accounts receivables, accounts payables and intercompany receivables and payables. These foreign currency forward contracts are not designated for hedge accounting treatment. Therefore, the change in fair value of these derivatives is recorded as a component of other income (expense) and offsets the change in fair value of the foreign currency denominated assets and liabilities, which are also recorded in other income (expense).

As of June 30, 2013, the Company had the following outstanding foreign currency forward contracts that were entered into under its cash flow and balance sheet hedge program:

	Derivatives Designated as Hedging Instruments:		**Derivatives Not Designated as Hedging Instruments:**	
	(in thousands)			
Foreign Currency Forward Contracts				
	Buy Contracts	Sell Contracts	Buy Contracts	Sell Contracts
Japanese Yen	$ —	$137,286	$ —	$ 97,408
Swiss Francs	—	—	18,726	1,633
Euro	59,885	—	19,307	20,112
Korean Won	—	—	14,095	—
Taiwan Dollar	—	—	120,603	—
	$59,885	$137,286	$172,731	$119,153

The fair value of derivatives instruments in the Company's consolidated balance sheet as of June 30, 2013 and June 24, 2012 were as follows:

	June 30, 2013				**June 24, 2012**			
	Fair Value of Derivative Instruments				Fair Value of Derivative Instruments			
	Asset Derivatives		Liability Derivatives		Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	**Fair Value**	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
	(in thousands)							
Derivatives designated as hedging instruments:								
Foreign exchange forward contracts	Prepaid expense and other assets	$4,858	Accrued liabilities	$1,577	Prepaid expense and other assets	$3,358	Accrued liabilities	$3,403
Derivatives not designated as hedging instruments:								
Foreign exchange forward contracts	Prepaid expense and other assets	71	Accrued liabilities	43	Prepaid expense and other assets	1,662	Accrued liabilities	925
Total derivatives		**$4,929**		**$1,620**		**$5,020**		**$4,328**

The effect of derivative instruments designated as cash flow hedges, before tax, on the Company's Consolidated Statements of Operations was as follows:

		Twelve Months Ended June 30, 2013			Twelve Months Ended June 24, 2012		
		Effective Portion		Ineffective Portion and Amount Excluded from Effectiveness Testing	Effective Portion		Ineffective Portion and Amount Excluded from Effectiveness Testing
	Location of Gain (Loss) Recognized in or Reclassified into Income	Gain (Loss) Recognized in AOCI	Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Recognized in Income	Gain (Loss) Recognized in AOCI	Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Recognized in Income
Derivatives Designated as Hedging Instruments		(in thousands)			(in thousands)		
Foreign Exchange Contracts	Revenue	8,322	10,036	—	(1,079)	(5,500)	—
Foreign Exchange Contracts	Cost of goods sold	2,443	(1,229)	—	(5,952)	(2,166)	—
Foreign Exchange Contracts	Selling, general, and administrative	1,154	(416)	—	(2,311)	(883)	—
Foreign Exchange Contracts	Other income (expense)	—	—	(33)	—	—	796
		11,919	8,391	(33)	(9,342)	(8,549)	796

The effect of derivative instruments not designated as cash flow hedges on the Company's Consolidated Statement of Operations was as follows:

		Twelve Months Ended	
		June 30, 2013	June 24, 2012
Derivatives Not Designated as Hedging Instruments:	Location of Loss Recognized in Income	Loss Recognized in Income	Loss Recognized in Income
		(in thousands)	
Foreign Exchange Contracts	Other income (expense)	$(1,585)	$(39,629)

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and 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 large global financial institutions. Such deposits may be in excess of insured limits. Management believes that the financial institutions that hold the Company's cash are creditworthy and, accordingly, minimal credit risk exists with respect to these balances.

The Company's over-all portfolio of available-for-sale securities must maintain an average minimum rating of "AA-" or "Aa3" as rated by Standard and Poor's or Moody's Investor Services, respectively. To ensure diversification and minimize concentration, the Company's policy limits the amount of credit exposure with any one financial institution or commercial issuer.

The Company is exposed to credit losses in the event of nonperformance by counterparties on the foreign currency forward contracts that are used to mitigate the effect of exchange rate fluctuations and on contracts related to structured share repurchase agreements. These counterparties are large global financial institutions and, to date, no such counterparty has failed to meet its financial obligations to the Company.

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

As of June 30, 2013, two customers accounted for approximately 22% and 14% of accounts receivable. As of June 24, 2012, three customers accounted for approximately 24%, 17%, and 11% of accounts receivable.

Note 5: Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. Shipments to Japanese customers, to whom title does not transfer until customer acceptance, are classified as inventory and carried at cost until title transfers. Inventories consist of the following:

	June 30, 2013	June 24, 2012
	(in thousands)	
Raw materials	$312,484	$342,283
Work-in-process	101,530	118,566
Finished goods	145,303	172,004
	$559,317	$632,853

Note 6: Property and Equipment

Property and equipment, net, consist of the following:

	June 30, 2013	June 24, 2012
	(in thousands)	
Manufacturing, engineering and office equipment	$ 521,047	$ 468,739
Computer equipment and software	120,144	104,919
Land	65,360	65,228
Buildings	249,126	231,536
Leasehold improvements	76,225	54,327
Furniture and fixtures	21,110	19,770
	1,053,012	944,519
Less: accumulated depreciation and amortization	(449,102)	(359,923)
	$ 603,910	$ 584,596

Depreciation expense, including amortization of capital leases, during fiscal years 2013, 2012, and 2011, was $126.5 million, $74.0 million, and $54.0 million, respectively.

Note 7: Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	June 30, 2013	June 24, 2012
	(in thousands)	
Accrued compensation	$254,795	$274,165
Warranty reserves	52,252	63,988
Income and other taxes payable	39,420	24,745
Other	118,061	129,280
	$464,528	$492,178

Note 8: Other Income (Expense), Net

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

	Year Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
	(in thousands)		
Interest income	$ 14,737	$ 12,141	$ 9,890
Interest expense	(60,408)	(38,962)	(5,380)
Gains (losses) on deferred compensation plan related assets	9,764	(914)	5,682
Foreign exchange gains (losses)	(6,808)	(397)	(11,085)
Other, net	(8,698)	(5,183)	(2,516)
	$(51,413)	$(33,315)	$ (3,409)

Note 9: 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, for dilutive stock options, restricted stock units ("RSUs"), and convertible notes. The following table reconciles the numerators and denominators of the basic and diluted computations for net income per share.

	Year Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
	(in thousands, except per share data)		
Numerator:			
Net income	$113,879	$168,723	$723,748
Denominator:			
Basic average shares outstanding	168,932	124,176	123,529
Effect of potential dilutive securities:			
Employee stock plans	2,558	910	1,490
Convertible notes	1,940	147	—
Diluted average shares outstanding	173,430	125,233	125,019
Net income per share - basic	$ 0.67	$ 1.36	$ 5.86
Net income per share - diluted	$ 0.66	$ 1.35	$ 5.79

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

	Year Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
	(in thousands)		
Number of options and RSUs excluded	534	382	241

Diluted shares outstanding include only the effect of the 2041 Notes. Diluted shares outstanding do not include any effect resulting from warrants, assumed conversion of the notes, or note hedges associated with the Company's 2016 or 2018 Notes (as described in Note 13) as their impact would have been anti-dilutive.

Note 10: Comprehensive Income (Loss)

The components of accumulated other comprehensive loss, net of tax at the end of the period, as well as the activity during the period, were as follows:

	Accumulated Foreign Currency Translation Adjustment	Accumulated Unrealized Holding Gain (Loss) on Cash Flow Hedges	Accumulated Unrealized Holding Gain (Loss) on Available-for-Sale Investments	Accumulated Unrealized Components of Defined Benefit Plans	Total
			(in thousands)		
Balance as of June 24, 2012	$(22,481)	$ (212)	$ (308)	$(10,817)	$(33,818)
Other comprehensive income (loss) before relcassifications	5,303	10,607	(3,844)	(3,505)	8,561
Losses (gains) reclassified from accumulated other comprehensive income to net income	—	(7,573) (1)	4,137 (2)	—	(3,436)
Net current-period other comprehensive income (loss)	$ 5,303	$ 3,034	$ 293	$ (3,505)	$ 5,125
Balance as of June 30, 2013	$(17,178)	$ 2,822	$ (15)	$(14,322)	$(28,693)

(1) Amount of after tax gain reclassified from accumulated other comprehensive income into net income located in revenue: $8,932 gain, cost of goods sold: $1,048 loss and selling, general and administrative expenses: $311 loss.

(2) Amount of loss reclassified from accumulated other comprehensive income into net income located in other expense, net

Tax related to the components of other comprehensive income during the period were as follows:

	Year Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
	(in thousands)		
Tax benefit (expense) on change in unrealized gains/losses on cash flow hedges:			
Tax expense on unrealized gains/losses arising during the period	$(1,312)	$ —	$ —
Tax expense on gains/losses reclassified to earnings	818	—	—
	(494)	—	—
Tax benefit (expense) on change in unrealized gains/losses on available-for-sale investments:			
Tax benefit (expense) on unrealized gains/losses arising during the period	1,428	233	(120)
Tax (benefit) expense on gains/losses reclassified to earnings	(2,026)	474	436
	(598)	707	316
Tax benefit on change in unrealized components of defined benefit plans	586	944	2,162
Tax benefit (expense) on other comprehensive income (loss)	$ (506)	$1,651	$2,478

Note 11: Equity-Based Compensation Plans

The Company has adopted stock plans that provide for the grant to employees of equity-based awards, including stock options and RSUs, of Lam Research Common Stock. In addition, these plans permit the grant of nonstatutory equity-based awards to consultants and outside directors. An option is a right to purchase the Company's stock at a set price. An RSU award is an agreement to issue shares of the Company's stock at the time of vesting. Pursuant to the plans, the equity-based award exercise price is determined by the Board of Directors or its designee, the plan administrator, but in no event will the exercise price for any option be less than the fair market value of the Company's Common Stock on the date of grant. Equity-based awards granted under the plans vest over a period determined by the Board of Directors or the plan administrator, typically over a period of three years or less. The Company also has an ESPP that allows employees to purchase shares of its Common Stock through payroll deduction at a discounted price. A summary of stock plan transactions is as follows:

	Options Outstanding		Restricted Stock Units Outstanding	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Fair Market Value at Grant
June 27, 2010	885,425	$21.61	2,740,762	$30.50
Granted	—	$ —	922,210	$50.11
Exercised	(572,182)	$21.68		
Canceled	(3,310)	$20.35	(154,185)	$32.20
Vested restricted stock			(1,177,447)	$27.03
June 26, 2011	309,933	$21.50	2,331,340	$39.90
Awards assumed in Novellus acquisition	3,932,143	$25.17	1,291,808	$35.99
Granted	—	$ —	2,336,283	$41.23
Exercised	(74,615)	$23.70		
Canceled	(265,384)	$21.71	(120,070)	$40.91
Vested restricted stock			(1,507,883)	$35.47
June 24, 2012	3,902,077	$25.14	4,331,478	$41.01
Granted	288,867	$42.59	2,563,670	$38.76
Exercised	(1,546,028)	$25.47		
Canceled	(73,993)	$26.24	(299,079)	$39.70
Vested restricted stock			(1,754,273)	$42.52
June 30, 2013	2,570,923	$26.87	4,841,796	$39.32

Outstanding and exercisable options presented by price range at June 30, 2013 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
$9.44-$20.82	447,220	3.32	$15.99	437,715	$15.94
$21.04-$25.68	777,248	4.33	$22.37	615,744	$22.58
$26.11-29.68	828,487	4.91	$29.29	633,083	$29.32
$30.48-$37.11	229,101	2.99	$34.78	174,641	$35.56
$42.41-$42.61	288,867	6.62	$42.59	—	
$9.44-$42.61	2,570,923	4.48	$26.87	1,861,183	$24.53

The Lam Research Corporation 2007 Stock Incentive Plan and 2011 Stock Incentive Plan (collectively the "Stock Plans") provide 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. As of June 30, 2013 there were a total of 7,412,719 shares subject to options and restricted stock units issued and outstanding under the Company's Stock Plans. As of June 30, 2013, there were a total of 13,302,712 shares available for future issuance under the Stock Plans.

The ESPP allows employees to designate a portion of their base compensation to be deducted and used to purchase the Company's Common Stock at a purchase price per share of the lower of 85% of the fair market value of the Company's Common Stock on the first or last day of the applicable purchase period. Typically, each offering period lasts 12 months and comprises three interim purchase dates. The Plan Administrator (the Compensation Committee of the Board) is authorized to set a limit on the number of shares a plan participant can purchase on any single plan exercise date. Prior to August 27, 2012, the ESPP provided for an automatic annual increase in the number of shares in the plan reserve available for issuance. These increases occurred 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 had repurchased, and designated 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. Subsequent to August 27, 2012, increases in shares available for issuance under the ESPP must be specifically authorized by the Plan Administrator. During fiscal year 2013 there was no increase to the number of shares of Lam Research Common Stock reserved for issuance under the 1999 ESPP. During fiscal years 2012 and 2011 the number of shares of Lam Research Common Stock reserved for issuance under the 1999 ESPP increased by 1.8 million and 1.9 million, respectively.

During fiscal year 2013, a total of 1,072,396 shares of the Company's Common Stock were sold to employees under the 1999 ESPP. At June 30, 2013 9,574,207 shares were available for purchase under the 1999 ESPP.

The estimated fair value of the Company's stock-based awards, less expected forfeitures, is amortized over the awards' vesting period on a straight-line basis. The Company recognized the following equity-based compensation expenses and benefits during the fiscal years noted:

	Year Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
		(in millions)	
Equity-based compensation expense	$99.3	$81.6	$53.0
Income tax benefit recognized in the Consolidated Statement of Operations related to equity-based compensation	$17.6	$12.2	$ 8.6
Tax benefit realized from the exercise and vesting of options and RSUs	$21.6	$11.8	$16.3

Stock Options and Restricted Stock Units

Stock Options

The fair value of the Company's stock options granted during fiscal year 2013 and fiscal year 2012, in connection with the acquisition of Novellus, was estimated using a Black-Scholes option valuation model. The Company did not grant any stock options during fiscal year 2011. This model requires the input of highly subjective assumptions, including expected stock price volatility and the estimated life of each award:

	Year Ended	
	June 30, 2013	June 24, 2012
Expected volatility	36.60%	38.04%
Risk-free interest rate	0.81%	0.55%
Expected term (years)	4.79	3.89
Dividend yield	0%	0%

The year-end intrinsic value relating to stock options for fiscal years 2013, 2012, and 2011 is presented below:

	Year Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
		(millions)	
Intrinsic value - options outstanding	$44.9	$49.9	$ 6.7
Intrinsic value - options exercisable	$36.9	$30.1	$ 6.7
Intrinsic value - options exercised	$25.4	$ 1.3	$16.7

As of June 30, 2013, there was $7.4 million of total unrecognized compensation cost related to unvested stock options granted and outstanding; that cost is expected to be recognized over a weighted average remaining vesting period of 1.4 years.

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 30, 2013, there was $126.3 million of total unrecognized compensation cost related to unvested restricted stock units granted; that cost is expected to be recognized over a weighted average remaining vesting period of 1.9 years.

ESPP

ESPP rights were valued using the Black-Scholes model. During fiscal years 2013, 2012, and 2011 ESPP was valued assuming the following weighted-average assumptions:

	Year Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
Expected life (years)	0.64	0.72	0.68
Expected stock price volatility	32.42%	44.22%	42.25%
Risk-free interest rate	0.15%	0.11%	0.61%
Dividend yield	0%	0%	0%

As of June 30, 2013, there was $2.2 million of total unrecognized compensation cost related to the ESPP that is expected to be recognized over a remaining vesting period of 2 months.

Note 12: Retirement and Deferred Compensation Plans

Employee Savings and Retirement Plan

The Company maintains a 401(k) retirement savings plan for its full-time employees in North America. Each participant in the plan may elect to contribute from 1% to 75% of annual eligible earnings to the plan, subject to statutory limitations. The Company makes matching employee contributions in cash to the plan at the rate of 50% of the first 6% of earnings contributed. Employees participating in the 401(k) retirement savings plan are fully vested in the Company matching contributions, and investments are directed by participants. The Company made matching contributions of $8.7 million, $5.8 million, and $5.1 million, in fiscal years 2013, 2012, and 2011, respectively.

Deferred Compensation Arrangements

The Company has an unfunded, non-qualified deferred compensation plan whereby certain executives may defer a portion of their compensation. Participants earn a return on their deferred compensation based on their

allocation of their account balance among measurement funds. The Company controls the investment of these funds and the participants remain general creditors of the Company. Participants are able to elect the payment of benefits on a specified date at least three years after the opening of a deferral subaccount or upon retirement. Distributions are made in the form of lump sum or annual installments over a period of up to 20 years as elected by the participant. If no alternate election has been made, a lump sum payment will be made upon termination of a participant's employment with the Company. As of June 30, 2013 and June 24, 2012 the liability of the Company to the plan participants was $79.7 million and $79.0 million, respectively, which was recorded in accrued expenses and other current liabilities on the Consolidated Balance Sheets. As of June 30, 2013 and June 24, 2012 the Company had investments in the aggregate amount of $98.1 million and $83.2 million respectively that correlate to the deferred compensation obligations, which were recorded in other assets on the Consolidated Balance Sheets.

Postretirement Healthcare Plan

The Company maintains a postretirement healthcare plan for certain executive and director retirees. Coverage continues through the duration of the lifetime of the retiree or the retiree's spouse, whichever is longer. The benefit obligation was $21.4 million and $19.8 million as of June 30, 2013 and June 24, 2012, respectively.

Note 13: Long Term Debt

The following table reflects the carrying value of the Company's convertible notes and other long-term debt as of June 30, 2013 and June 24, 2012:

	June 30, 2013	June 24, 2012
	(in millions)	
0.50% Notes due 2016	$ 450.0	$ 450.0
Less: Unamortized interest discount	(45.7)	(60.3)
Net carrying amount of 0.50% Notes due 2016	404.3	389.7
1.25% Notes due 2018	450.0	450.0
Less: Unamortized interest discount	(76.9)	(90.4)
Net carrying amount of 1.25% Notes due 2018	373.1	359.6
2.625% Notes due 2041	699.9	699.9
Less: Unamortized interest discount	(186.9)	(190.3)
Net carrying amount of 2.625% Notes due 2041	513.0	509.6
Total debt	1,290.4	1,258.9
Less: current portion of debt	(513.0)	(509.6)
Long-term debt	$ 777.4	$ 749.3

Convertible Senior Notes

In May 2011, the Company issued and sold $450.0 million in aggregate principal amount of 0.50% Convertible Senior Notes due May 2016 (the "2016 Notes") at par. At the same time, the Company issued and sold $450.0 million in aggregate principal amount of 1.25% Convertible Senior Notes due May 2018 (the "2018 Notes") at par. The 2016 Notes and the 2018 Notes may be converted, under certain circumstances, based on an initial conversion rate of 15.8687 shares of common stock per $1,000 principal amount of notes (which represents an initial conversion price of approximately $63.02 per share of common stock). The net proceeds to the Company from the sale of the 2016 Notes and the 2018 Notes were $835.5 million. The Company pays cash interest at an annual rate of 0.5% and 1.25%, respectively, on the 2016 Notes and the 2018 Notes, payable semi-annually on May 15 and November 15 of each year.

In June 2012, with the acquisition of Novellus Systems, Inc. (see Note 16), the Company assumed $700.0 million in aggregate principal amount of 2.625% Convertible Senior Notes due May 2041 (the "2041 Notes," and collectively with the 2016 Notes and the 2018 Notes, the "Notes"). The 2041 Notes may be converted, under certain circumstances, based on an initial conversion rate of 28.4781 shares of common stock per $1,000 principal amount of notes (which represents an initial conversion price of approximately $35.11 per share of common stock). The Company pays cash interest at an annual rate of 2.625%, payable semi-annually on May 15 and November 15 of each year. The 2041 Notes also have a contingent interest payment provision that may require us to pay additional interest based on certain thresholds, beginning with the semi-annual interest payment commencing on May 15, 2021, and upon the occurrence of certain events, as outlined in the indenture governing the 2041 Notes. The maximum amount of the contingent interest will accrue at a rate of 2.1% per annum, excluding any potential impact from dividends deemed payable to holders of the 2041 Notes. The contingent interest payment provision has been identified as an embedded derivative, to be accounted for separately, and is recorded at fair value at the end of each reporting period in other non-current liabilities, with any gains and losses recorded in interest expense, within the Consolidated Statements of Operations.

The Company separately accounts for the liability and equity components of the Notes. The initial debt components of the 2016 Notes, the 2018 Notes, and the 2041 Notes were valued at $373.8 million, $345.1 million, and $509.5 million, respectively, based on the present value of the future cash flows using discount rates of 4.29%, 5.27%, and 4.28%, respectively, the Company's borrowing rate at the date of the issuance or assumption for similar debt instruments without the conversion feature. The carrying values of the equity components of the 2016 Notes, the 2018 Notes, and the 2041 Notes were $76.2 million, $104.9 million, and $328.1 million, respectively as of June 30, 2013. The effective interest rates on the liability components of the 2016 Notes, the 2018 Notes, and the 2041 Notes for the year ended June 30, 2013 were 4.29%, 5.27%, and 4.28% respectively. The following table presents the amount of interest cost recognized relating to both the contractual interest coupon and amortization of the discount on the liability component of the Notes during the years ended June 30, 2013, June 24, 2012, and June 26, 2011.

	June 30, 2013	June 24, 2012	June 26, 2011
		(in millions)	
Contractual interest coupon	$26.2	$ 9.2	$1.1
Amortization of interest discount	31.6	27.0	3.6
Amortization of issuance costs	2.4	2.4	0.3
Total interest cost recognized	$60.2	$38.6	$5.0

The remaining bond discount of the 2016 Notes, the 2018 Notes, and the 2041 Notes of $45.7 million, $76.9 million, and $186.9 million, respectively, as of June 30, 2013 will be amortized over their respective remaining lives of approximately 2.9 years, 4.9 years, and 27.9 years. As of June 30, 2013, the if-converted value of the 2016 and 2018 Notes did not exceed the aggregate principal amount. As of June 30, 2013, the if-converted value of the 2041 Notes exceeded the aggregate principal amount by $184 million.

2016 Notes

The 2016 Notes may be converted at any time prior to the close of business on the business day immediately preceding February 15, 2016, at the option of the holder, only under the following circumstances: 1) during the five business-day period after any ten consecutive trading-day period (the "measurement period") in which the trading price per $1,000 principal amount of 2016 Notes for each day of such measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the applicable conversion rate on each such trading day; 2) during any fiscal quarter commencing after the fiscal quarter ending September 25, 2011, if the last reported sale price of the Company's common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal

quarter is greater than or equal to 130% of the conversion price in effect on the last trading day of the immediately preceding fiscal quarter; or 3) upon the occurrence of specified corporate events. On and after February 15, 2016 until the close of business on the second scheduled trading day immediately preceding the maturity date of May 15, 2016, holders may convert their notes at any time, regardless of the foregoing circumstances.

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

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

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

Sold Warrants. The Company received $57.6 million from the same counterparties from the sale of warrants to purchase up to approximately 7.1 million shares of the Company's common stock at an exercise price of $71.34 per share. The warrants expire on a series of dates between August 15, 2016 and October 21, 2016. At expiration, the Company may, at its option, elect to settle the warrants on a net share basis. As of June 30, 2013, the warrants had not been exercised and remained outstanding. The value of the warrants was initially recorded in equity and continues to be classified as equity.

2018 Notes

The 2018 Notes may be converted at any time prior to the close of business on the business day immediately preceding February 15, 2018, at the option of the holder only under the following circumstances: 1) during the five business-day period after any ten consecutive trading-day period (the "measurement period") in which the trading price per $1,000 principal amount of 2018 Notes for each day of such measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the applicable conversion rate on each such trading day; 2) during any fiscal quarter commencing after the fiscal quarter ending September 25, 2011, if the last reported sale price of the Company's common stock for 20 or more trading days

in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price in effect on the last trading day of the immediately preceding fiscal quarter; or 3) upon the occurrence of specified corporate events. On and after February 15, 2018 until the close of business on the second scheduled trading day immediately preceding the maturity date of May 15, 2018, holders may convert their notes at any time, regardless of the foregoing circumstances.

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

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

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

Sold Warrants. The Company received $76.3 million from the same counterparties from the sale of warrants to purchase up to approximately 7.1 million shares of the Company's common stock at an exercise price of $76.10 per share. The warrants expire on a series of dates between August 15, 2018 and October 23, 2018. At expiration, the Company may, at its option, elect to settle the warrants on a net share basis. As of June 30, 2013, the warrants had not been exercised and remained outstanding. The value of the warrants was initially recorded in equity and continues to be classified as equity.

2041 Notes

The 2041 Notes may be converted at any time prior to the close of business on the business day immediately preceding February 15, 2041, at the option of the holder only under the following circumstances: 1) during the five business-day period after any ten consecutive trading-day period (the "measurement period") in which the trading price per $1,000 principal amount of 2041 notes for each day of such measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the applicable conversion rate on each such trading day; 2) during any fiscal quarter, if the last reported sale price of the Company's

common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price in effect on the last trading day of the immediately preceding fiscal quarter; or 3) upon the occurrence of specified corporate events. On and after February 15, 2041 until the close of business on the third scheduled trading day immediately preceding the maturity date of May 15, 2041, holders may convert their notes at any time, regardless of the foregoing circumstances.

Upon conversion, a holder will receive the conversion value of the 2041 Notes to be converted equal to the conversion rate multiplied by the volume weighted average price of the Company's common stock during a specified period following the conversion date. The conversion value of each 2041 Note will be paid in: 1) cash equal to the principal amount of the note and 2) to the extent the conversion value exceeds the principal amount of the note, common stock (plus cash in lieu of any fractional shares of common stock). The conversion price will be subject to adjustment in some events but will not be adjusted for accrued interest. Upon a "fundamental change" at any time, as defined, the Company will in some cases increase the conversion rate for a holder who elects to convert its 2041 Notes in connection with such fundamental change. In addition, the holders may require the Company to repurchase for cash all or a portion of their notes upon a "designated event" at a price equal to 100% of the principal amount of the notes being repurchased plus accrued and unpaid interest, if any.

On or after May 21, 2021, we may redeem all or part of the 2041 Notes for the principal plus any accrued and unpaid interest if the closing price of our common stock has been at least 150% of the conversion price then in effect for at least 20 trading days during any period of 30 consecutive trading days prior to the date on which we provide notice of redemption.

Conversion Period

During the fiscal quarter ended June 30, 2013, the Company's common stock for 20 or more trading days of the 30 consecutive trading days preceding the quarter end was greater than or equal to 130% of the 2041 Note conversion price. As a result, the 2041 Notes became convertible at the option of the holder anytime during the fiscal quarter ending September 29, 2013. However, there have been no conversions of the 2041 Notes as of August 27, 2013.

In connection with the acquisition of Novellus in June 2012, the 2041 Notes could have been converted into the Company's common stock at any time from and after the later of (1) the date that was 30 scheduled trading days immediately prior to the anticipated closing date of the merger and (2) the date on which we delivered to the note holders notice of the merger, until 35 business days after the actual closing date of the merger, or July 24, 2012. During the period ending June 24, 2012, 65 of the 2041 Notes, with a total par value of $65,000, were converted at the note holders' option. In conjunction with the conversion, 137 shares of common stock were issued.

As a result of the open conversion period, the carrying amount of the 2041 Notes was classified in current liabilities in our Consolidated Balance Sheet as of June 30, 2013 and June 24, 2012. The excess of the amount of cash payable, if converted, over the carrying amount of the 2041 Notes was classified as temporary equity as of June 30, 2014 June 24, 2012. Upon closure of a conversion period, all 2041 Notes not converted are reclassified back to noncurrent liabilities and the temporary equity is reclassified to permanent equity.

Fair Value of Notes

As of June 30, 2013, the face values of the 2016 Notes, 2018 Notes, and 2041 Notes were $450.0 million, $450.0 million, and $699.9 million, respectively. As of June 30, 2013, the fair values of the 2016 Notes, 2018 Notes, and 2041 Notes, which includes the debt and equity components, were approximately $482.9 million, $500.5 million, and $1,001.6 million respectively, based on quoted market prices (level 1 inputs within the fair value hierarchy).

Contractual Obligations

The Company's contractual cash obligations relating to its convertible notes and other long-term debt as of June 30, 2013 were as follows:

	Long-term Debt
	(in thousands)
Payments due by period:	
One year*	$ 699,935
Two years	—
Three years	450,000
Four years	—
Five years	450,000
Over five years	—
Total	1,599,935
Current portion of long-term debt	699,935
Long-term debt	$ 900,000

* As noted above, the conversion period for the 2041 Notes opened as of June 30, 2013. As there is the potential for conversion at the option of the holder, the principal balance of the 2041 notes has been included in the one year payment period. As of August 27, 2013, none of the 2041 notes had been converted during the conversion period beginning June 30, 2013.

Note 14: Commitments

The Company has certain obligations to make future payments under various contracts, some of these are recorded on its balance sheet and some are not. Obligations that are recorded on the Company's balance sheet include the Company's capital lease obligations. Obligations that are not recorded on the Company's balance sheet include contractual relationships for operating leases, purchase obligations, and certain guarantees. The Company's commitments relating to capital leases and off-balance sheet agreements are included in the tables below. These amounts exclude $246.5 million of liabilities related to uncertain tax benefits because the Company is unable to reasonably estimate the ultimate amount or time of settlement. See Note 15, of Notes to Consolidated Financial Statements for further discussion.

Capital Leases

Capital leases reflect building and office equipment leases. The Company's contractual cash obligations relating to its existing capital leases, including interest, as of June 30, 2013 were as follows:

	Capital Leases
	(in thousands)
Payments due by period:	
One year	$ 1,849
Two years	1,828
Three years	1,797
Four years	8,507
Five years	—
Over five years	—
Total	13,981
Interest on capital leases	492
Current portion of capital leases	1,641
Long-term portion of capital leases	$11,848

Operating Leases and Related Guarantees

The Company leases the majority of its administrative, R&D and manufacturing facilities, regional sales/service offices and certain equipment under non-cancelable operating leases. Certain of the Company's facility leases for buildings located at its Fremont, California headquarters and certain other facility leases provide the Company with options to extend the leases for additional periods or to purchase the facilities. Certain of the Company's facility leases provide for periodic rent increases based on the general rate of inflation. The Company's rental expense for facilities occupied during fiscal years 2013, 2012, and 2011 was approximately $14 million, $11 million, and $9 million, respectively.

On December 18, 2007, the Company entered into two operating leases regarding certain improved properties in Livermore, California. These leases were amended on April 3, 2008 and July 9, 2008 (as so amended, the "Livermore Leases"). On December 21, 2007, the Company entered into a series of four amended and restated operating leases (the "New Fremont Leases," and collectively with the Livermore Leases, the "Operating Leases") with regard to certain improved properties at the Company's headquarters in Fremont, California.

The Operating Leases have a term of approximately seven years ending on the first business day in January 2015. The Company may, at its discretion and with 30 days' notice, elect to purchase the property that is the subject of the Operating Lease for an amount approximating the sum required to pay the amount of the lessor's investment in the property and any accrued but unpaid rent.

The Company is required, pursuant to the terms of the Operating Leases, to maintain collateral in an aggregate of approximately $164.9 million in separate interest-bearing accounts as security for the Company's obligations under the Operating Leases. This amount is recorded as restricted cash in the Company's Consolidated Balance Sheet as of as of June 30, 2013.

When the terms of the Operating Leases expire, the property subject to that Operating Lease may be remarketed. The Company has guaranteed to the lessor that each property will have a certain minimum residual value. The aggregate guarantee made by the Company under the Operating Leases is generally no more than approximately $141.7 million; however, under certain default circumstances, the guarantee with regard to an Operating Lease may be 100% of the lessor's aggregate investment in the applicable property, which in no case will exceed $164.9 million, in the aggregate.

During fiscal years 2011 and 2010, the Company recognized restructuring charges of $13.7 million and $13.0 million, respectively, related to the reassessment of the residual value guarantee for such lease. Accordingly, an amount of $26.7 million has been recorded in other long-term liabilities as of June 30, 2013.

The Company's contractual cash obligations with respect to operating leases, excluding the residual value guarantees discussed above, as of June 30, 2013 were as follows:

	Operating Leases
	(in thousands)
Payments due by period:	
One year	$14,122
Two years	10,386
Three years	7,429
Four years	6,346
Five years	1,621
Over five years	4,446
Less: Sublease Income	(5,202)
Total	$39,148

Other Guarantees

The Company has issued certain indemnifications to its lessors for taxes and general liability under some of its agreements. The Company has entered into certain insurance contracts that may limit its exposure to such indemnifications. As of June 30, 2013, the Company had not recorded any liability on its Consolidated Financial Statements in connection with these indemnifications, as it does not believe, based on information available, that it is probable that any amounts will be paid under these guarantees.

Generally, the Company indemnifies, under pre-determined conditions and limitations, its customers for infringement of third-party intellectual property rights by the Company's products or services. The Company seeks to limit its liability for such indemnity to an amount not to exceed the sales price of the products or services subject to its indemnification obligations. The Company does not believe, based on information available, that it is probable that any material amounts will be paid under these guarantees.

The Company provides guarantees and standby letters of credit to certain parties as required for certain transactions initiated during the ordinary course of business. As of June 30, 2013, the maximum potential amount of future payments that we could be required to make under these arrangements and letters of credit was $15.0 million. We do not believe, based on historical experience and information currently available, that it is probable that any amounts will be required to be paid.

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 contractual cash obligations and commitments table presented below contains the Company's minimum obligations at June 30, 2013 under these arrangements and others. For obligations with cancellation provisions, the amounts included in the following table were limited to the non-cancelable portion of the agreement terms or the minimum cancellation fee. Actual expenditures will vary based on the volume of transactions and length of contractual service provided.

The Company's commitments related to these agreements as of June 30, 2013 are as follows:

	Purchase Obligations
	(in thousands)
Payments due by period:	
One year	$147,425
Two years	5,733
Three years	3,312
Four years	1,063
Five years	1,063
Over five years	—
Total	$158,596

Warranties

The Company provides standard warranties on its systems. The liability amount is based on actual historical warranty spending activity by type of system, customer, and geographic region, modified for any known differences such as the impact of system reliability improvements.

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

	Year Ended	
	June 30, 2013	June 24, 2012
	(in thousands)	
Balance at beginning of period	$ 70,161	$ 40,951
Warranties issued during the period	74,779	45,095
Warranties assumed in Novellus acquisition	—	38,967
Settlements made during the period	(92,456)	(58,710)
Changes in liability for pre-existing warranties	5,594	3,858
Balance at end of period	$ 58,078	$ 70,161
Less: long-term portion	(5,826)	(6,173)
Accrued warranty, current	$ 52,252	$ 63,988

Note 15: Income Taxes

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

	Year Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
		(in thousands)	
United States	$ (46,392)	$ (6,950)	$159,250
Foreign	113,050	211,368	641,626
	$ 66,658	$204,418	$800,876

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

	Year Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
		(in thousands)	
Federal:			
Current	$ (1,096)	$ 5,038	$ 55,119
Deferred	(60,172)	(1,033)	(25,143)
	$(61,268)	$ 4,005	$ 29,976
State:			
Current	$ 3,332	$ 1,297	$ 3,159
Deferred	(6,351)	336	26,589
	$ (3,019)	$ 1,633	$ 29,748
Foreign:			
Current	$ 20,640	$33,871	$ 22,556
Deferred	(3,574)	(3,814)	(5,152)
	$ 17,066	$30,057	$ 17,404
Total Provision (Benefit) for Income Taxes	$(47,221)	$35,695	$ 77,128

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

	June 30, 2013	June 24, 2012
	(in thousands)	
Deferred tax assets:		
Tax carryforwards	$ 169,371	$ 114,974
Allowances and reserves	94,720	102,041
Equity-based compensation	19,586	24,960
Inventory valuation differences	22,833	8,233
Other	11,286	3,506
Gross deferred tax assets	317,796	253,714
Valuation allowance	(76,594)	(55,213)
Net deferred tax assets	241,202	198,501
Deferred tax liabilities:		
Intangible Assets	(94,836)	(117,312)
Convertible debt	(98,482)	(81,608)
Temporary differences for capital assets	(41,470)	(71,439)
Amortization of goodwill	(9,950)	(8,180)
Other	(14,581)	(7,060)
Gross deferred tax liabilities	(259,319)	(285,599)
Net deferred tax assets	$ (18,117)	$ (87,098)

The change in the gross deferred tax assets, gross deferred tax liabilities and valuation allowance between fiscal year 2013 and 2012 is primarily attributable to reversal of deferred tax liabilities related to intangibles and fixed assets due to non-deductibility of amortization and depreciation resulting from purchase price accounting adjustments, an increase of tax credit attributes resulting from the extension of the federal research and development tax credit in fiscal year 2013, and resolution of certain tax matters. Realization of the Company's net deferred tax assets is based upon the weighting of available evidence, including such factors as the recent earnings history and expected future taxable income. The Company believes it is more-likely-than-not that such deferred tax assets will be realized with the exception of $76.6 million primarily related to California and certain foreign deferred tax assets.

The provisions related to the tax accounting for stock-based compensation prohibit the recognition of a deferred tax asset for an excess benefit that has not yet been realized. As a result, the Company will only recognize an excess benefit from stock-based compensation in additional paid-in-capital if an incremental tax benefit is realized after all other tax attributes currently available to us have been utilized. In addition, the Company continued to elect to account for the indirect benefits of stock-based compensation such as the research and development tax credit through the consolidated statement of operations.

At June 30, 2013, the Company had federal net operating loss carryforwards of approximately $158.6 million. These losses will begin to expire in the year 2018, and are subject to limitations on their utilization.

As of June 30, 2013, the Company had state net operating loss carryforward of approximately $129.3 million. If not utilized, the net operating loss carryforwards will begin to expire in the year 2015, and are subject to limitations on their utilization.

At June 30, 2013, the Company had federal tax credit carryforwards of approximately $86.1 million, of which $83.4 million will begin to expire in fiscal year 2027. The remaining balance of $2.7 million of credits

may be carried forward indefinitely. The tax benefits relating to approximately $8.7 million of federal tax credit carryforwards will be credited to additional paid-in-capital when recognized.

At June 30, 2013, the Company had state tax credit carryforwards of approximately $192.0 million. Substantially all tax credits may be carried forward indefinitely. The tax benefits relating to approximately $36.7 million of the state tax credit carryforwards will be credited to additional paid-in-capital when recognized.

At June 30, 2013, the Company had foreign net operating loss carryforwards of approximately $57.2 million, of which approximately $30.0 million may be carried forward indefinitely and $27.2 million will begin to expire in fiscal year 2014.

A reconciliation of income tax expense provided at the federal statutory rate (35% in fiscal years 2013, 2012 and 2011) to actual income expense is as follows:

	Year Ended		
	June 30, 2013	**June 24, 2012**	**June 26, 2011**
		(in thousands)	
Income tax expense computed at federal statutory rate	$ 23,332	$ 71,546	$ 280,306
State income taxes, net of federal tax benefit	(13,588)	(4,895)	9,322
Foreign income taxed at different rates	(40,255)	(51,425)	(217,982)
Tax credits	(42,593)	(5,791)	(16,503)
State valuation allowance, net of federal tax benefit	11,538	5,862	10,078
Equity-based compensation	20,318	14,123	12,244
Acquisition costs	—	5,683	—
Other permanent differences and miscellaneous items	(5,973)	592	(337)
	$(47,221)	$ 35,695	$ 77,128

Effective from fiscal year 2003 through June 2013, the Company had a tax holiday in Switzerland for one of its foreign subsidiaries, which was conditional upon the Company meeting certain employment and investment thresholds. The impact of the tax holiday decreased income taxes by approximately $10.8 million, $22.3 million, and $119.5 million for fiscal years 2013, 2012, and 2011, respectively. The benefit of the tax holiday on diluted earnings per share was approximately $0.06 in fiscal year 2013, $0.18 in fiscal year 2012, and $0.96 in fiscal year 2011. The Company obtained a new Swiss ruling that is effective until June 30, 2023.

Effective from January 2007 through December 2012, Novellus had a tax holiday in Singapore for one of its foreign subsidiaries. The tax holiday was terminated effective January 1, 2013. The benefit of the Singapore tax holiday for the Company's fiscal year 2013 results is immaterial.

Unremitted earnings of the Company's foreign subsidiaries included in consolidated retained earnings aggregated to approximately $2.1 billion at June 30, 2013. These earnings are indefinitely reinvested in foreign operations. If these earnings were remitted to the United States, they would be subject to U.S. and foreign withholding taxes of approximately $462.2 million at current statutory rates. The Company's federal income tax provision includes U.S. income taxes on certain foreign-based income.

As of June 30, 2013, the total gross unrecognized tax benefits were $333.1 million compared to $343.8 million as of June 24, 2012, and $181.5 million as of June 26, 2011. During fiscal year 2013, gross unrecognized tax benefits decreased by approximately $10.7 million. The amount of unrecognized tax benefits

that, if recognized, would impact the effective tax rate was $257.7 million, $278.2 million, and $120.4 million as of June 30, 2013, June 24, 2012, and June 26, 2011, respectively. The aggregate changes in the balance of gross unrecognized tax benefits were as follows:

	(in millions)
Balance as of June 27, 2010	**$190.5**
Settlements and effective settlements with tax authorities	(24.2)
Lapse of statute of limitations	(5.2)
Increases in balances related to tax positions taken during prior periods	13.7
Decreases in balances related to tax positions taken during prior periods	(13.4)
Increases in balances related to tax positions taken during current period	20.1
Balance as of June 26, 2011	**181.5**
Settlements and effective settlements with tax authorities	(0.2)
Lapse of statute of limitations	(6.6)
Increases in balances related to tax positions taken during prior periods	1.4
Decreases in balances related to tax positions taken during prior periods	(4.3)
Increases in balances related to tax positions taken during current period	22.3
Tax positions assumed in Novellus transaction	149.7
Balance as of June 24, 2012	**343.8**
Settlements and effective settlements with tax authorities	(3.4)
Lapse of statute of limitations	(51.4)
Increases in balances related to tax positions taken during prior periods	11.3
Decreases in balances related to tax positions taken during prior periods	(11.3)
Increases in balances related to tax positions taken during current period	35.2
Tax positions assumed in Novellus transaction	8.9
Balance as of June 30, 2013	**$333.1**

The Company recognizes interest expense and penalties related to the above unrecognized tax benefits within income tax expense. The Company had accrued $25.5 million, $25.2 million, and $16.9 million, cumulatively, for gross interest and penalties as of June 30, 3013, June 24, 2012, and June 26, 2011, respectively.

The Internal Revenue Service ("IRS") has completed its audit of the Company's U.S. income tax return for fiscal years 2008 and 2009. As a result of the settlement of the IRS audit, the Company reduced its unrecognized tax benefits by approximately $1.8 million in fiscal year 2013. In addition, the Company is also subject to audits by state and foreign tax authorities. The Company is unable to make a reasonable estimate as to when cash settlements, if any, with the relevant taxing authorities will occur.

The Company files U.S. federal, U.S. state, and foreign income tax returns. As of June 30, 2013, tax years 2003-2012 remain subject to examination in the jurisdictions where the Company operates.

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

Note 16: Acquisitions

On June 4, 2012 ("the acquisition date"), the Company acquired all of the outstanding common shares of Novellus in an all-stock transaction valued at approximately $3.0 billion. The results of Novellus' operations have been included in the consolidated financial statements for the period from June 4, 2012 to June 24, 2012. Lam's primary reasons for this acquisition were to complement existing product offerings and to provide

opportunities for revenue and cost synergies. Novellus' primary business focus is to develop, manufacture, sell and support equipment used in the fabrication of integrated circuits, commonly called semiconductors. Customers for this equipment manufacture semiconductors for sale or for incorporation in their own products, or provide semiconductor-manufacturing services to third parties. Novellus also develops, manufactures, sells and supports grinding, lapping and polishing equipment for a broad spectrum of industrial applications.

As a result of the acquisition, Lam Research issued common stock and equity-based awards, subject to certain exceptions, as follows:

(i) each issued and outstanding share of common stock of Novellus was converted into 1.125 (the "exchange ratio") shares of Lam Research common stock, with cash paid in lieu of fractional shares;

(ii) each outstanding option for Novellus' common stock held by a then-current employee of Novellus, whether vested or unvested, was assumed by Lam Research and converted into an option (A) to acquire that number of shares of Lam Research common stock (rounded down to the nearest whole share) equal to the product of (x) the number of shares of Novellus common stock for which such option was exercisable immediately prior to the acquisition date multiplied by (y) the exchange ratio and (B) with an exercise price per share of Lam Research (rounded up to the nearest whole penny) equal to the quotient obtained by dividing (z) the exercise price per share of Novellus common stock subject to such option immediately prior to the acquisition date divided by (y) the exchange ratio. Each assumed stock option will be subject to, and exercisable and vested on, the same terms and conditions applicable to such assumed stock option (consistent with the terms of the applicable Novellus stock plan, the applicable stock option agreement and any other applicable Novellus plan) as of immediately prior to the acquisition date; and

(iii) each outstanding Novellus RSU and each outstanding Novellus performance-based RSU ("PSU") held by a then-current employee of Novellus, whether vested or unvested, was assumed by Lam Research and converted into a restricted stock unit to acquire the number of shares of Lam Research common stock (rounded down to the nearest whole share) equal to the product obtained by multiplying (x) the number of shares of Novellus common stock subject to such RSU or PSU, as applicable, immediately prior to the acquisition date by (y) 1.125. Novellus PSUs that vest in connection with the consummation of the acquisition will become fully vested with respect to the maximum number of shares of Novellus common stock payable pursuant to such Novellus PSU. Each assumed RSU or PSU, as applicable, will be subject to, and vested on, the same terms and conditions applicable to such assumed RSU or PSU.

Consideration Transferred

The table below details the consideration transferred to acquire Novellus:

(in thousands, except per share amounts)	**Conversion Calculation**	**Estimated Fair Value**
Lam common stock issued at merger	82,689	
Per share price of Lam common stock as of June 4, 2012	$ 35.99	$2,975,977
Estimated fair value of vested Lam equivalent restricted stock [(1)]		$ 9,599
Estimated fair value of vested Lam equivalent stock options [(2)]		41,412
Estimated purchase price consideration		**$3,026,988**

(1) The fair value of Lam Research equivalent restricted stock as of the acquisition date was estimated based upon the per share price of Lam Research common stock as of June 4, 2012, and giving effect to the exchange ratio of 1.125.

(2) The fair value of the Lam Research equivalent stock options as of the acquisition date was estimated using the Black-Scholes valuation model. Assumptions used are the same as those for acquired awards as disclosed in Note 11 of Notes to Consolidated Financial Statements.

Net Assets Acquired

The transaction has been accounted for using the acquisition method of accounting which requires that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. The following table summarizes the assets acquired and liabilities assumed as of the acquisition date:

	June 4, 2012
	(in thousands)
Cash and investments	$1,059,859
Accounts receivable	241,924
Inventory	309,213
Other current assets	55,502
Property and equipment	289,126
Intangible assets	1,219,100
Goodwill	1,283,111
Other long-term assets	36,494
Total assets acquired	4,494,329
Accounts payable	(83,028)
Accrued expenses and other current liabilities	(199,262)
Deferred revenue	(20,388)
Debt	(509,805)
Other long-term liabilities	(326,732)
Convertible notes - equity component	(328,126)
Net assets acquired	**$3,026,988**

The following table is a summary of the fair value estimates of the identifiable intangible assets and their useful lives:

	Useful Life	Estimated Fair Value June 4, 2012
	(in thousands, except years)	
Existing technology	7	$ 580,000
Customer relationships	6-10	580,000
In-process research and design	Indefinite	30,000
Patents	6	10,000
Backlog	1	10,000
Additional development rights	Indefinite	9,100
Total		$1,219,100

Critical estimates in valuing certain intangible assets include but are not limited to estimating future expected cash flows from assets acquired and determining discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Estimates associated with the accounting for acquisitions may change as additional information becomes available.

With respect to the acquisition of Novellus, acquired intangibles primarily included existing technology and customer relationships. Existing technology represents the underlying hardware, software, robotics, chemical and mechanical processes embedded in the various tools, which have passed technological feasibility. Existing technology was valued using the relief from royalty method, a form of the income approach. The relief from royalty method estimates the cost savings that accrue to the owner of an intangible asset that would otherwise be payable as royalties or license fees on revenues earned through the use of the asset. The value of the intangible asset is equal to the present value of the after-tax royalty savings attributable to owning the intangible asset.

Customer relationships have value when they represent an identifiable and predictable source of cash flows to the combined business enterprise. Customer relationships that resulted in repeat purchases and customer loyalty were valued using the multiperiod excess earning method, a form of the income approach. The estimated fair value of the customer contracts and related relationships represents the sum of the present value of the expected cash flows attributable to those customer relationships. The cash flows were determined from the revenue and profit forecasts associated with existing contracts and renewals, as well as add-ons and growth opportunities that are expected to be generated from these customer relationships.

The goodwill recognized is attributable primarily to expected synergies and other benefits that the Company believes will result from combining the operations of Novellus with the operations of Lam. The $1.3 billion goodwill that was acquired is not expected to be deductible for income tax purposes. As of June 30, 2013 there are no remaining preliminary purchase price allocations and the measurement period is considered closed.

Acquisition Costs

The Company recognized $36 million of acquisition related costs that were expensed in the year ended June 24, 2012. These costs are included within selling, general, and administrative expense in the Consolidated Statement of Operations.

Actual and Pro-forma Results

The amounts of revenue and net income (loss) of Novellus included in the Company's consolidated Statement of Operations from the acquisition date to June 24, 2012 are as follows:

	(in thousands)
Revenue	$ 25,843
Net income (loss)	$(29,187)

The unaudited pro-forma results presented below include the effects of the Novellus acquisition as if it had been consummated as of June 28, 2010. The pro forma results below include adjustments related to conforming revenue accounting policies, depreciation and amortization to reflect the fair value of acquired property, plant and equipment and identifiable intangible assets, and the associated income tax impacts. The pro forma results for the years ended June 24, 2012 include $122 million of costs related to inventory fair value adjustments on products sold, share-based compensation associated with accelerated vesting and acquisition-related costs, which are not expected to occur in future quarters. The pro forma information does not necessarily reflect the actual results of operations had the acquisition been consummated at the beginning of the fiscal reporting period indicated nor is it indicative of future operating results. The pro forma information does not include any adjustment for (i) potential revenue enhancements, cost synergies or other operating efficiencies that could result from the acquisition or (ii) transaction or integration costs relating to the acquisition.

	Year Ended	
	June 24, 2012	June 26, 2011
	(in thousands, except per share amounts)	
Pro forma revenue	$3,804,252	$4,743,797
Pro forma net income	$ 152,981	$ 894,864
Pro forma basic earnings per share	$ 0.76	$ 4.34
Pro forma diluted earnings per share	$ 0.74	$ 4.18

Note 17: Goodwill and Intangible Assets

Goodwill

There were no significant changes in the goodwill balance during the twelve months ended June 30, 2013. Of the $1.5 billion goodwill balance, $61 million is tax deductible and the remaining balance is not tax deductible due to purchase accounting and applicable foreign law.

Intangible Assets

The following table provides the Company's intangible assets as of June 30, 2013 (in thousands, except years):

	Gross	Accumulated Amortization	Net	Weighted-Average Useful Life (years)
Customer relationships	$ 624,686	$(103,519)	$ 521,167	9.01
Existing technology	653,628	(139,894)	513,734	6.97
Patents	32,053	(22,036)	10,017	6.09
Backlog	10,000	(10,000)	—	1.00
Other intangible assets	35,216	(34,889)	327	4.10
Intangible assets subject to amortization	1,355,583	(310,338)	1,045,245	
In process research and development	20,000		20,000	
Development rights	9,100		9,100	
Intangible assets not subject to amortization	29,100		29,100	
Total intangible assets	$1,384,683	$(310,338)	$1,074,345	

The following table provides details of the Company's intangible assets as of June 24, 2012 (in thousands, except years):

	Gross	Accumulated Amortization	Net	Weighted-Average Useful Life (years)
Customer relationships	$ 615,411	$ (32,041)	$ 583,370	9.04
Existing technology	642,311	(48,378)	593,933	6.97
Patents	30,870	(17,525)	13,345	6.05
Backlog	10,000	(548)	9,452	1.00
Other intangible assets	35,216	(33,989)	1,227	4.10
Intangible assets subject to amortization	1,333,808	(132,481)	1,201,327	
In process research and development	30,000		30,000	
Development rights	9,100		9,100	
Intangible assets not subject to amortization	39,100		39,100	
Total intangible assets	$1,372,908	$(132,481)	$1,240,427	

The Company recognized $177.6 million, $26.9 million, and $21.0 million, in intangible asset amortization expense during fiscal years 2013, 2012, and 2011, respectively.

The estimated future amortization expense of intangible assets, excluding those with indefinite lives, as of June 30, 2013 was as follows (in thousands):

Fiscal Year	Amount
2014	$ 160,887
2015	157,310
2016	155,093
2017	153,352
2018	152,100
Thereafter	266,503
	$1,045,245

Note 18: Segment, Geographic Information and Major Customers

The Company operates in one reportable business segment: manufacturing and servicing of wafer processing semiconductor manufacturing equipment. The Company's material operating segments qualify for aggregation due to their customer base and similarities in economic characteristics, nature of products and services, and processes for procurement, manufacturing and distribution.

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

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

	Year Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
		(in thousands)	
Revenue:			
Taiwan	$1,026,548	$ 467,922	$ 766,910
North America	734,324	458,531	393,004
Korea	603,821	893,549	756,660
Asia Pacific	573,696	292,963	492,600
Japan	368,095	308,189	405,371
Europe	292,432	244,038	423,148
Total revenue	$3,598,916	$2,665,192	$3,237,693

	June 30, 2013	June 24, 2012	June 26, 2011
		(in thousands)	
Long-lived assets:			
North America	$ 484,273	$ 463,156	$ 191,221
Europe	109,934	107,893	69,442
Asia Pacific	5,079	8,317	3,738
Taiwan	2,953	3,169	3,897
Japan	680	1,068	1,067
Korea	991	993	1,093
Total long-lived assets	$ 603,910	$ 584,596	$ 270,458

In fiscal year 2013, three customers accounted for approximately 19%, 15%, and 11% of total revenues. In fiscal year 2012, three customers accounted for approximately 30%, 12%, and 10% of total revenues. In fiscal year 2011, one customer accounted for approximately 24% of total revenues.

Note 19: Restructuring Charges

From time to time, Lam initiates restructuring activities to appropriately align its cost structure relative to prevailing economic and industry conditions and associated customer demand as well as in connection with certain acquisitions. Costs associated with restructuring actions can include termination benefits and related charges in addition to facility closure, contract termination and other related activities.

Accounting for restructuring activities, as compared to regular operating cost management activities, requires an evaluation of formally committed and approved plans. Restructuring activities have comparatively

greater strategic significance and materiality and may involve exit activities, whereas regular cost containment activities are more tactical in nature and are rarely characterized by formal and integrated action plans or exiting a particular product, facility, or service.

March 2009 Plan

Beginning in the March 2009 quarter, the Company incurred restructuring expenses designed to align the Company's cost structure with its outlook for the economic environment and business opportunities. The remaining liability under this plan of $26.7 million relates to the residual value guarantee under certain of the Company's unoccupied operating leases. See Note 14 to the Consolidated Financial Statements for additional information regarding residual value guarantees.

Acquired Restructuring Liabilities

In addition to restructuring plans initiated by the Company, a restructuring liability related to future rent obligations on unoccupied facilities was assumed in the Novellus acquisition. The associated liability balance of $11.4 million, as of June 30, 2013, is expected to be paid by the end of fiscal year 2017.

Note 20: Stock Repurchase Program

On December 14, 2011, the Board of Directors authorized the repurchase of up to $1.6 billion of Company common stock, which replaced the previous repurchase authorizations. The Company completed the repurchase of all amounts available under this share repurchase authorization during the year ended June 30, 2013.

On April 22, 2013, the Board of Directors authorized the repurchase of up to $250 million of Company common stock. These repurchases can be conducted on the open market or as private purchases and may include the use of derivative contracts with large financial institutions, in all cases subject to compliance with applicable law. Repurchases will be funded using the Company's on-shore cash and on-shore cash generation. This repurchase program has no termination date and may be suspended or discontinued at any time.

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

Period	Total Number of Shares Repurchased	Total Cost of Repurchase	Average Price Paid Per Share*	Amount Available Under Repurchase Program
		(in thousands, except per share data)		
Available balance as of June 24, 2012				$911,933
Quarter ended September 23, 2012	11,970	$344,001	$34.79	$567,932
Quarter ended December 23, 2012	10,190	$354,029	$34.74	$213,903
Quarter ended March 31, 2013	5,312	$213,903	$37.73	$ —
Authorization of new $250 million - April 2013				$250,000
Quarter ended June 30, 2013	90	$ —	$ —	$250,000

* Average price paid per share excludes accelerated share repurchases for which cost was incurred in fiscal year 2012, but shares were received in fiscal year 2013 and for which costs were incurred in the quarter ended March 31, 2013, but for which final settlement of shares was not received until the quarter ended June 30, 2013. See *Collared Accelerated Share Repurchases* section below for details regarding average price associated with these transactions.

In addition to shares repurchased under Board authorized repurchase program shown above, during the year ended June 30, 2013, the Company acquired 595,000 shares at a total cost of $22.9 million which the Company

withheld through net share settlements to cover minimum tax withholding obligations upon the vesting of restricted stock unit awards granted under the Company's equity compensation plans. The shares retained by the Company through these net share settlements are not a part of the Board-authorized repurchase program but instead are authorized under the Company's equity compensation plans.

As part of its share repurchase program, the Company may from time-to-time enter into structured share repurchase arrangements with financial institutions using general corporate funds. Such arrangements entered into or settled during the year ended June 30, 2013 included the following:

Collared Accelerated Share Repurchases — Settled During Current Fiscal Year

During the year ended June 24, 2012, the Company entered into two share repurchase transactions under one master repurchase arrangement. Under these collared accelerated share repurchase transactions ("ASRs"), the Company made up-front cash payments of $375 million and $200 million, respectively, three days after the respective trade date in exchange for an initial delivery of 6.6 million and 3.9 million shares of its common stock, respectively. The number of shares to ultimately be repurchased by the Company is based generally on the volume-weighted average price ("VWAP") of the Company's common stock during the term of the ASR minus a pre-determined discount set at inception of the ASR, subject to collar provisions that provide a minimum and maximum number of shares that the Company could repurchase under the agreements.

The minimum and maximum thresholds for each transaction were established based on the average of the VWAP prices for the Company's common stock during an initial hedge period. The Company received incremental shares on top of the initial shares delivered such that the total number of shares received after the initial hedge period equaled 8.8 million and 4.8 million shares, equivalent to the minimum number of shares to be delivered under the terms of the ASRs, respectively. The ASRs were scheduled to end on or before September 18, 2012 and October 9, 2012, respectively. However, each ASR was subject to acceleration at the option of the counterparty at any time after June 27, 2012 and July 19, 2012, respectively. At the conclusion of the ASRs, the Company would receive additional shares based on the VWAP of the Company's common stock during the term of the agreement minus the pre-determined fixed discount, such that the total number of shares received under the ASRs would not exceed the maximum of 10.8 million and 6.6 million shares, respectively.

The Company accounted for each ASR as two separate transactions: (a) as shares of common stock acquired in a treasury stock transaction recorded on the acquisition date and (b) as a forward contract indexed to the Company's own common stock and classified in stockholders' equity. As such, the Company accounted for the shares that it received under the ASRs as a repurchase of its common stock for the purpose of calculating earnings per common share. The Company has determined that the forward contract indexed to the Company's common stock met all of the applicable criteria for equity classification in accordance with the Derivatives and Hedging topic of the FASB ASC, and, therefore, the ASRs were not accounted for as derivative instruments. As of June 24, 2012, the aggregate repurchase price of $575.0 million was reflected as Treasury stock, at cost, in the Consolidated Balance Sheet.

The counterparty to the $375 million ASR designated July 6, 2012 as the accelerated termination date, at which time the Company settled the ASR and received an additional 1.3 million shares of common stock in addition to the minimum shares already received, which represented a weighted average share price of approximately $36.80 for the transaction period. The counterparty to the $200 million ASR designated July 25, 2012 as the accelerated termination date, at which time the Company settled the ASR and received an additional 0.7 million shares of common stock in addition to the minimum shares already received, which represented a weighted average share price of approximately $36.12 for the transaction period.

Collared Accelerated Share Repurchases — Executed During Current Fiscal Year

During the year ended June 30, 2013, the Company entered into a share repurchase transaction under the existing master repurchase arrangement. Under this ASR, the Company made an up-front cash payment of

$86.4 million, in exchange for an initial delivery of 1.5 million shares of its common stock and a subsequent delivery of 0.4 million shares following the initial hedge period

As with the prior ASRs, the minimum and maximum thresholds for the transaction were established based on the average of the VWAP prices for the Company's common stock during an initial hedge period. The ASR was scheduled to end at any time after March 21, 2013 and on or before May 21, 2013. At the conclusion of the ASRs, the Company would receive additional shares based on the VWAP of the Company's common stock during the term of the agreement minus the pre-determined fixed discount, such that the total number of shares received under this ASR would not exceed the maximum of 2.2 million shares.

The counterparty designated May 21, 2013 as the termination date, at which time the Company settled the ASR and received an additional 0.1 million shares of common stock in addition to the minimum shares already received, which represented a weighted average share price of approximately $42.71 for the transaction period.

As of June 30, 2013, the aggregate repurchase price of $86.4 million is reflected as Treasury stock, at cost, in the Consolidated Balance Sheet.

Note 21: Legal Proceedings

The Company is either a defendant or plaintiff in various actions that have arisen from time to time in the normal course of business, including intellectual property claims. The Company accrues for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Significant judgment is required in both the determination of probability and the determination as to whether a loss is reasonably estimable. To the extent there is a reasonable possibility that the losses could exceed the amounts already accrued, the Company believes that the amount of any such additional loss would be immaterial to the Company's business, financial condition, and results of operations.

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 30, 2013 and June 24, 2012, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 30, 2013 and June 24, 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Lam Research Corporation's internal control over financial reporting as of June 30, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated August 27, 2013, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California
August 27, 2013

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Lam Research Corporation

We have audited Lam Research Corporation's internal control over financial reporting as of June 30, 2013 based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Lam Research Corporation management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Lam Research Corporation maintained, in all material respects, effective internal control over financial reporting as of June 30, 2013, 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 30, 2013 and June 24, 2012, and the related consolidated statement of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2013 of Lam Research Corporation and our report dated August 27, 2013 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California
August 27, 2013

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/ Martin B. Anstice

Martin B. Anstice
President and Chief Executive Officer

Dated: August 27, 2013

POWER OF ATTORNEY AND SIGNATURES

By signing this Annual Report on Form 10-K below, I hereby appoint each of Martin B. Anstice and Douglas R. Bettinger, jointly and severally, as my attorney-in-fact to sign all amendments to this Form 10-K on my behalf, and to file this Form 10-K (including all exhibits and other related documents) with the Securities and Exchange Commission. I authorize each of my attorneys-in-fact to (1) appoint a substitute attorney-in-fact for himself and (2) perform any actions that he believes are necessary or appropriate to carry out the intention and purpose of this Power of Attorney. I ratify and confirm all lawful actions taken directly or indirectly by my attorneys-in-fact and by any properly appointed substitute attorneys-in-fact.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
Principal Executive Officer		
/s/ Martin B. Anstice Martin B. Anstice	President and Chief Executive Officer	August 27, 2013
Principal Financial Officer and Principal Accounting Officer		
/s/ Douglas R. Bettinger Douglas R. Bettinger	Executive Vice President, Chief Financial Officer, and Chief Accounting Officer	August 27, 2013
Other Directors		
/s/ Stephen G. Newberry Stephen G. Newberry	Chairman	August 27, 2013
/s/ Eric K. Brandt Eric K. Brandt	Director	August 27, 2013
/s/ Michael R. Cannon Michael R. Cannon	Director	August 27, 2013
/s/ Youssef A. El-Mansy Youssef A. El-Mansy	Director	August 27, 2013
/s/ Christine Heckart Christine Heckart	Director	August 27, 2013
/s/ Grant M. Inman Grant M. Inman	Director	August 27, 2013
/s/ Catherine P. Lego Catherine P. Lego	Director	August 27, 2013

Signatures	Title	Date
/s/ Krishna Saraswat Krishna Saraswat	Director	August 27, 2013
/s/ William R. Spivey William R. Spivey	Director	August 27, 2013
/s/ Abhi Talwalkar Abhi Talwalkar	Director	August 27, 2013

LAM RESEARCH CORPORATION
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Write-offs, Net of Recoveries (1)	Balance at End of Period
	(in thousands)			
YEAR ENDED JUNE 30, 2013				
Deducted from asset accounts:				
Allowance for doubtful accounts . . .	$ 5,248	$200	$ —	$5,448
YEAR ENDED JUNE 24, 2012				
Deducted from asset accounts:				
Allowance for doubtful accounts . . .	$ 4,720	$403	$ 125	$5,248
YEAR ENDED JUNE 26, 2011				
Deducted from asset accounts:				
Allowance for doubtful accounts . . .	$10,609	$290	$(6,179)	$4,720

(1) During fiscal year 2012, write-off, net of recoveries represents $0.1 million of recoveries against previously written-off balances

During fiscal year 2011, write-off, net of recoveries represents $3.8 million release of allowance and $2.4 million write-off of customer specific accounts.

LAM RESEARCH CORPORATION

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
EXHIBIT INDEX

Exhibit	Description
3.1(2)	Certificate of Incorporation of the Registrant, dated September 7, 1989; as amended by the Agreement and Plan of Merger, Dated February 28, 1990; the Certificate of Amendment dated October 28, 1993; the Certificate of Ownership and Merger dated December 15, 1994; the Certificate of Ownership and Merger dated June 25, 1999 and the Certificate of Amendment effective as of March 7, 2000; and the Certificate of Amendment effective as of November 5, 2009.
3.2(28)	Bylaws of the Registrant, as amended, dated May 17, 2013.
3.3(2)	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock dated January 27, 1997.
4.1(14)	Indenture (including Form of Notes), dated as of May 11, 2011, by and between Lam Research Corporation, and The Bank of New York Mellon Trust Company, N.A, as trustee, with respect to the 2016 Notes
4.2(14)	Indenture (including Form of Notes), dated as of May 11, 2011, by and between Lam Research Corporation, and The Bank of New York Mellon Trust Company, N.A, as trustee, with respect to the 2018 Notes
4.8(5)*	Amended and restated 1997 Stock Incentive Plan.
4.12(4)*	Amended and restated 1999 Stock Option Plan.
4.13(29)*	Lam Research Corporation 1999 Employee Stock Purchase Plan, as amended.
4.14(10)*	Lam Research Corporation 2004 Executive Incentive Plan, as amended.
4.15*	Lam Research Corporation 2007 Stock Incentive Plan, as amended.
4.16(15)*	Lam Research Corporation Elective Deferred Compensation Plan.
4.17(15)*	Lam Research Corporation Elective Deferred Compensation Plan II.
4.18(18)	Indenture between Novellus Systems, Inc. as Issuer and The Bank of New York Mellon Trust Company, N.A. as Trustee, dated as of May 10, 2011, including the form of 2.625% Senior Convertible Notes due 2041.
4.19(13)	Supplemental Indenture among the Registrant, as Guarantor, Novellus Systems, Inc. as Issuer and The Bank of New York Mellon Trust Company, N.A. as Trustee, dated as of June 4, 2012.
10.3(1)*	Form of Indemnification Agreement.
10.99(3)*	Form of Nonstatutory Stock Option Agreement — Lam Research Corporation 1997 Stock Incentive Plan.
10.102(6)	Form of Restricted Stock Unit Award Agreement (U.S. Agreement A) — Lam Research Corporation 1997 Stock Incentive Plan.
10.103(6)	Form of Restricted Stock Unit Award Agreement (non-U.S. Agreement I-A) — Lam Research Corporation 1997 Stock Incentive Plan.
10.106(7)*	Form of Restricted Stock Unit Award Agreement (U.S. Agreement) — Lam Research Corporation 2007 Stock Incentive Plan

10.107(8)	Form of Restricted Stock Unit Award Agreement — Outside Directors (U.S. Agreement) — Lam Research Corporation 2007 Stock Incentive Plan.
10.108(8)	Form of Restricted Stock Unit Award Agreement — Outside Directors (non-U.S. Agreement) — Lam Research Corporation 2007 Stock Incentive Plan.
10.117(9)	Lease Agreement (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.118(9)	Pledge Agreement (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.119(9)	Closing Certificate and Agreement (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.120(9)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.121(9)	Lease Agreement (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.122(9)	Pledge Agreement (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.123(9)	Closing Certificate and Agreement (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.124(9)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.125(9)	Lease Agreement (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.126(9)	Pledge Agreement (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.127(9)	Closing Certificate and Agreement (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.128(9)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.129(9)	Lease Agreement (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.130(9)	Pledge Agreement (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.131(9)	Closing Certificate and Agreement (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.132(9)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.133(9)	Lease Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.134(9)	Pledge Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.135(9)	Closing Certificate and Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.

10.136(9) Agreement Regarding Purchase and Remarketing Options (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.

10.137(9) Construction Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.

10.138(9) Lease Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.

10.139(9) Pledge Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.

10.140(9) Closing Certificate and Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.

10.141(9) Agreement Regarding Purchase and Remarketing Options (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.

10.142(9) Construction Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.

10.143(33) First Modification Agreement (Fremont Buildings #1, #2, #3, #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated April 3, 2008.

10.144(33) First Modification Agreement (Livermore Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated April 3, 2008.

10.145(33) Second Modification Agreement (Livermore Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated July 9, 2008.

10.146(33) First Modification Agreement (Livermore Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated July 9, 2008.

10.148(11)* Form of Indemnification Agreement.

10.149(11)* Reformation of Stock Option Agreement.

10.150(12)* Stock Option Amendment and Special Bonus Agreement.

10.156(16)* Employment Agreement with Stephen G. Newberry, dated November 30, 2011.

10.157(16)* Employment Agreement with Martin B. Anstice, dated November 30, 2011.

10.158(17)* Employment Agreement with Timothy M. Archer, dated March 6, 2012.

10.159(13)* Form of Indemnification Agreement.

10.160(19) Assignment and Assumption of Lessee's Interest in Lease (Units 8 and 9, Palo Alto) and Covenants, Conditions and Restrictions on Leasehold Interests (Units 1-12, Palo Alto) by and between Varian Associates, Inc. and Novellus dated May 7, 1997.

10.161(20) Environmental Agreement by and between Varian Associates, Inc. and Novellus dated May 7, 1997.

10.162(21)* Form of Novellus Directors and Officers Indemnification Agreement.

10.163(22)* GaSonics International Corporation 1994 Stock Option/Stock Issuance plan, together with forms of agreements thereunder, as assumed by Novellus.

10.164(22)* GaSonics International Corporation Supplemental Stock Option Plan, as assumed by Novellus.

10.165(23)* Novellus 2001 Stock Incentive Plan, as amended, together with forms of agreement thereunder.

10.166(24)* SpeedFam-IPEC, Inc. Amended and Restated 1995 Stock Plan, as assumed by Novellus.

10.167(24)* SpeedFam-IPEC, Inc. 2001 Nonstatutory Stock Option Plan, together with forms of agreements thereunder, as assumed by Novellus.

10.168(24)	Lease Guaranty between Novellus and Phoenix Industrial Investment Partners, L.P. dated January 21, 2003.
10.169(25)	Binding Memorandum of Understanding between Novellus, and Applied Materials, Inc., effective as of September 3, 2004. Portions of this exhibit have been omitted pursuant to a request for confidential treatment.
10.170(26)*	Novellus Amended Executive Voluntary Deferred Compensation Plan, as amended.
10.171(27)*	Novellus Accelerated Stock Vesting Retirement Plan Summary.
10.172(30)*	Novellus Systems, Inc. 2011 Stock Incentive Plan, as amended July 18, 2012.
10.173*	Forms of Nonstatutory Stock Option Agreement under the Novellus 2011 Stock Incentive Plan.
10.174(30)*	Forms of restricted stock unit award agreement under the Novellus 2011 Stock Incentive Plan.
10.175(31)*	Employment Agreement with Douglas R. Bettinger, dated February 25, 2013.
10.176*	Form of Nonstatutory Stock Option Agreement — Lam Research Corporation 2007 Stock Incentive Plan.
10.177(32)*	Employment Agreement with Ernest E. Maddock, dated September 7, 2012.
10.178(32)*	Employment Agreement with Richard A. Gottscho, dated September 7, 2012.
10.179(32)*	Form of Change in Control Agreement.
21	Subsidiaries of the Registrant.
23.1	Consent of Independent Registered Public Accounting Firm.
24	Power of Attorney (See Signature page)
31.1	Rule 13a — 14(a) / 15d — 14(a) Certification (Principal Executive Officer)
31.2	Rule 13a — 14(a) / 15d — 14(a) Certification (Principal Financial Officer)
32.1	Section 1350 Certification — (Principal Executive Officer)
32.2	Section 1350 Certification — (Principal Financial Officer)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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

(2) Incorporated by reference to Registrant's Amendment No. 2 to its Annual Report on Form 10K/A for the fiscal year ended June 25, 2000, and Registrant's Current Report on Form 8-K filed on November 10, 2009.

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

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

(5) Incorporated by reference to Registrant's Current Report on Form 8-K filed on November 8, 2005.
(6) Incorporated by reference to Registrant's Current Report on Form 8-K filed on February 6, 2006.
(7) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 24, 2006.
(8) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 25, 2007.
(9) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 24, 2007.
(10) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 27, 2010.
(11) Incorporated by reference to Registrant's Current Report on Form 8-K filed on November 13, 2008.
(12) Incorporated by reference to Registrant's Current Report on Form 8-K filed on May 8, 2008.
(13) Incorporated by reference to Registrant's Current Report on Form 8-K filed on June 4, 2012.
(14) Incorporated by reference to Registrant's Current Report on Form 8-K filed on May 11, 2011
(15) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 26, 2011.
(16) Incorporated by reference to Registrant's Current Report on Form 8-K filed on December 5, 2011.
(17) Incorporated by reference to Registrant's Amendment No. 1 to Registration Statement on Form S-4, filed on March 6, 2012.
(18) Incorporated by reference to Novellus' Current Report on Form 8-K filed on May 10, 2011 (SEC File No. 000-17157).
(19) Incorporated by reference to Novellus' Current Report on Form 8-K filed on July 7, 1997 (SEC File No. 000-17157).
(20) Incorporated by reference to Novellus' Current Report on Form 8-K filed on July 7, 1997 (SEC File No. 000-17157).
(21) Incorporated by reference to Novellus' Quarterly Report on Form 10-Q filed on August 13, 2002 (SEC File No. 000-17157).
(22) Incorporated by reference to Novellus' Annual Report on Form 10-K filed on March 23, 2001 (SEC File No. 000-17157).
(23) Incorporated by reference to Novellus' Quarterly Report on Form 10-Q filed on July 31, 2009 (SEC File No. 000-17157).
(24) Incorporated by reference to Novellus' Annual Report on Form 10-K filed on March 5, 2003 (SEC File No. 000-17157).
(25) Incorporated by reference to Novellus' Current Report on Form 8-K filed on September 24, 2004 (SEC File No. 000-17157).
(26) Incorporated by reference to Novellus' Report on Form 10-Q filed on November 5, 2008 (SEC File No. 000-17157).
(27) Incorporated by reference to Novellus' Quarterly Report on Form 10-Q filed on November 2, 2010 (SEC File No. 000-17157).
(28) Incorporated by reference to Registrant's Current Report on Form 8-K filed on May 22, 2013.
(29) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 23, 2012.
(30) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 24, 2012.
(31) Incorporated by reference to Registrant's Current Report on Form 8-K filed on February 26, 2013.
(32) Incorporated by reference to Registrant's Current Report on Form 8-K filed on September 10, 2012.
(33) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 29, 2008.
* Indicates management contract or compensatory plan or arrangement in which executive officers of the Company are eligible to participate.

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

SUBSIDIARY	STATE OR OTHER JURISDICTION OF OPERATION
Lam Research AG	Austria
Lam Research Management GmbH	Austria
Novellus Systems Export, Inc.	Barbados
IPEC FSC Ltd	Barbados
IPEC International Sales FSC Ltd	Barbados
Novellus Systems, Inc.	California, United States
Novellus Systems International, LLC	California, United States
Angstron Systems, Inc.	California, United States
Gamma Precision Technology	California, United States
Lam Research International Holdings Ltd.	Cayman Islands
Lam Research (Shanghai) Co., Ltd.	China
Lam Research Semiconductor (Suzhou) Co., Ltd.	China
Lam Research Service Co., Ltd.	China
Novellus Systems Semiconductor Equipment Shanghai Co. Ltd.	China
Novellus Systems International Trading (Shanghai) Co. Ltd.	China
Peter Wolters Precision Machinery (Shanghai) Co., Ltd.	China
Lam Research International Holding Company	Delaware, United States
Novellus International Holdco, LLC.	Delaware, United States
SpeedFam-IPEC International Services, LLC	Delaware, United States
Tmation Inc.	Delaware, United States
Novellus Development Company, LLC	Delaware, United States
Silfex, Inc.	Delaware, United States
Lam Research SAS	France
Novellus Singapore Pte. Ltd., France Branch	France
Lam Research GmbH	Germany
NHL Sub GmbH	Germany
Peter Wolters GmbH	Germany
Lam Research (H.K.) Limited	Hong Kong
Novellus Systems Service (Hong Kong) Limited	Hong Kong
Peter Wolters of America, Inc.	Illinois, United States
Lam Research (India) Private Ltd.	India
Peter Wolters Precision Solutions (India) Pvt. Ltd.	India
Lam Research (Ireland) Limited	Ireland
Novellus Systems Ireland Ltd.	Ireland
Lam Research (Israel) Ltd.	Israel
Lam Research Services Ltd.	Israel
GaSonics Israel Ltd.	Israel
Novellus Systems International BV, Israel Branch	Israel
Lam Research S.r.l.	Italy
Novellus Systems Italy SRL	Italy
Lam Research Co., Ltd.	Japan
Peter Wolters Japan Co., Ltd.	Japan

SUBSIDIARY	STATE OR OTHER JURISDICTION OF OPERATION
Novellus Singapore Pte. Ltd., Japan Branch	Japan
Lam Research Luxembourg S.à.r.l.	Luxembourg
SpeedFam IPEC (Malaysia) Sdn. Bhd.	Malaysia
Lam Research Malaysia Sdn. Bhd.	Malaysia
LAM Research B.V.	Netherlands
Lam Research International B.V.	Netherlands
Peter Wolters International Holding Company B.V.	Netherlands
Novellus Systems International B.V.	Netherlands
Voumard, Inc.	New York, United States
Lam Research Korea Limited	Republic of Korea
Lam Research Korea LLC YH	Republic of Korea
Novellus Singapore Pte. Ltd., Korea Branch	Republic of Korea
Lam Research Singapore Pte Ltd	Singapore
SEZ Asia Pacific Pte. Ltd. (in liquidation)	Singapore
Novellus Systems International BV, Singapore Branch	Singapore
Novellus Singapore Pte. Ltd.	Singapore
Novellus Singapore Holdings Pte. Ltd.	Singapore
Lam Research Holding GmbH	Switzerland
Lam Research International Sàrl	Switzerland
Novellus Systems (Schweiz) Holding GmbH	Switzerland
Voumard Machines Co SARL	Switzerland
Lam Research Co., Ltd.	Taiwan
Lam Research (H.K.) Limited, Taiwan Branch	Taiwan
Novellus Systems Service (Hong Kong) Limited, Taiwan Branch	Taiwan
Lam Research Ltd.	United Kingdom
Peter Wolters UK Ltd.	United Kingdom
Novellus Systems UK Limited	United Kingdom
Novellus Vietnam LLC	Vietnam

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Form S-4 No. 333-30545 and 333-179267) of Lam Research Corporation and in the related Prospectus and in the Registration Statements (Form S-8 Nos. 333-01011, 333-18115, 333-32981, 333-45265, 333-66833, 333-72751, 333-93115, 333-74500, 333-84638, 333-127936, 333-138545, 333-156335, 333-181878 and 333-185641) pertaining to the amended and restated 1996 Performance-Based Restricted Stock Plan, 1997 Stock Incentive Plan, 1999 Employee Stock Purchase Plan, 1999 Stock Option Plan, 2007 Stock Incentive Plan, and the Savings Plus Plan, 401(k) of Lam Research Corporation and the Novellus Systems, Inc. 2011 Stock Incentive Plan, Novellus Systems, Inc. 2001 Stock Incentive Plan, as amended, Novellus Systems, Inc. 2001 Non-Qualified Stock Option Plan, as amended, SpeedFam-IPEC, Inc. 2001 Nonstatutory Stock Option Plan, as amended, SpeedFam-IPEC, Inc. Amended and Restated 1995 Stock Plan, GaSonics International Corporation Supplemental Stock Option Plan, as amended, GaSonics International Corporation 1994 Stock Option/Stock Issuance Plan, as amended, and the Novellus Systems, Inc. Retirement Plan of our reports dated August 27, 2013, with respect to the consolidated financial statements and schedule of Lam Research Corporation and the effectiveness of internal control over financial reporting of Lam Research Corporation included in this Annual Report (Form 10-K) for the year ended June 30, 2013, filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

San Jose, California
August 27, 2013

Exhibit 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION (PRINCIPAL EXECUTIVE 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 report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 27, 2013

/s/ Martin B. Anstice

Martin B. Anstice
President and Chief Executive Officer

Exhibit 31.2

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

I, Douglas R. Bettinger, certify that:

1. I have reviewed this Annual Report on Form 10-K of Lam Research Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 27, 2013

/s/ Douglas R. Bettinger

Douglas R. Bettinger
Executive 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 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Martin B. Anstice, 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, 2013

/s/ Martin B. Anstice

Martin B. Anstice
President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that Lam Research Corporation specifically incorporates it by reference.

Exhibit 32.2

SECTION 1350 CERTIFICATION (PRINCIPAL FINANCIAL OFFICER)

In connection with the Annual Report of Lam Research Corporation (the "Company") on Form 10-K for the fiscal period ending June 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Douglas R. Bettinger, Executive 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, 2013

/s/ Douglas R. Bettinger

Douglas R. Bettinger
Executive Vice President, Chief Financial Officer
and Chief Accounting Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that Lam Research Corporation specifically incorporates it by reference.

This page intentionally left blank.

This page intentionally left blank.

This page intentionally left blank.

Lam Research Corporation
4650 Cushing Parkway
Fremont, California 94538

Phone: 1.510.572.0200
www.lamresearch.com